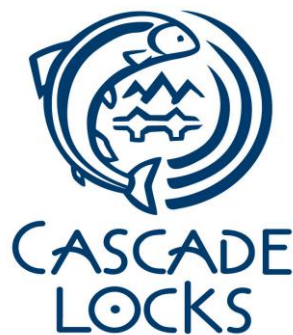


# CITY OF CASCADE LOCKS

## ADOPTED FINANCIAL MANAGEMENT POLICIES

ADOPTED BY CITY COUNCIL  
RESOLUTION 1498  
March 11, 2024



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# City of Cascade Locks Financial Management Policies

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# City of Cascade Locks Financial Management Policies

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## City of Cascade Locks Financial Management Policies

### Section 1. Purpose

These Financial Management Policies and procedures have been adopted by the City Council to assist, help and guide City Staff, Council and Boards and committees to operate and make decision in the best possible fiscal manner for the City. The Financial Management Policies enhance the City's goal to operate the City in the best possible manner while being prudent and careful with the City's money. The City exists to serve the citizens while carefully managing the limited resources of the city. This policy is to be followed by the City Council, City Staff and all boards and commissions.

### Section 2. Fund Balance Policies:

- A. Purpose:** The purpose of the Fund Balance Policy is to outline the procedure for categorizing the different components of ending fund balance in conformity with GASB Statement No. 54, Fund Balance Reporting and "Governmental Fund Type Definitions". In summary, the categories for fund balance consider "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent."
- B. Fund Balance Definitions:** Accountants use the term "Fund Balance" to describe the reporting unit (i.e. business, proprietary fund, fiduciary fund) which reports all related assets and all described as a measure of net worth. Because governmental funds report only a subset of related assets (i.e. financial assets) and liabilities (i.e. those normally expected to be liquidated with current financial resource, the difference between the two is more of a measure of liquidity than of net worth. Accountants underscore this distinction by using the term "Fund Balance" in government funds, rather than the term "net assets" employed elsewhere. As an approximate measure of liquidity, fund balance is similar to the working capital of a private-sector business.
- C. Fund Balance Categories:** The components of fund balance will be categorized into one of the five following categories:
- 1. Non-Spendable Fund Balance:** (inherently non-spendable) - A portion of net resources that cannot be spent because of their form and/or cannot be spent because they must be maintained intact. Examples include:
    - a. Pre-paid items
    - b. Inventories of supplies
    - c. Long-term portion of loans receivable
    - d. Financial assets held for resale, such as foreclosed properties
    - e. Principal of an endowment
    - f. Capital of a revolving loan fund
  - 2. Restricted Fund Balance:** (externally enforceable limitations on use) – Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments. Limitations may also be imposed by law through constitutional provisions or enabling legislation. Examples include:

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- a. Specific purpose grants
- b. State Gas Tax funds
- c. Restriction from other governments through laws and regulations
- d. Creditors through debt covenants
- e. Contributors for specific purposes
- f. Public, Educational and Governmental fees

- 3. Committed Fund Balance:** This is a self-imposed limitation set in place prior to the end of the period by highest level of decision making, the City Council. Limitations are imposed by the City Council and are formalized through adoption of a formal Resolution. A Resolution to rescind, modify or change a fund balance policy must also be made by City Council by formal Resolution.
- 4. Assigned Fund Balance:** (limitation resulting from intended use) – The City Council has delegated decision making authority to the City Administrator/Budget Officer for “assigning” this category of fund balances. Less formality is necessary in the case of assigned fund balance. Examples include:
  - a. City Administrator/Budget Officer assigns the amount used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget. This is done annually in the budget process for all departments, services and programs.
  - b. City Administrator/Budget Officer is responsible for insuring that sufficient year ending fund balance, along with other cash carry forward, is adequate to fund operations until tax revenue is available in November each year.
  - c. The City will consider all amounts as budgeted to be designated as “assigned”, unless amounts are otherwise committed in the form of resolution or restricted if it meets the limitations discussed above. Any balances that are budgeted as unappropriated will be considered by the City to be “unassigned”.
- 5. Unassigned Fund Balance:** (residual net resources) – For the General Fund this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. Total fund balance in the General Fund in excess of other categories (surplus). In funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance (deficit).

**D. Fund Balance Implementation:** The City Administrator and each Department Head is responsible for maintaining an appropriate fund balance. Financial reviews will be done quarterly or more frequently as needed by the City Administrator or Finance Department to ensure full compliance.

**E. Order of Spending Resources:** When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and the unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources are available for use, it is the City’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

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## Section 3. Annual Budget Policies:

- A. Budget Priorities:** Annually in January of each year, the City Council will meet with staff, Boards and Commissions and others to identify needs, issues and concerns then set budget priorities, establishing the annual budget priorities. The annual budget shall be built around the City Council established budget priorities.
- B. Budget Preparation:** The City Administrator/Budget Officer will prepare and present a balanced, proposed annual operating budget with the participation of all departments and in accordance with Oregon Local Budget Law. The proposed budget is built around established priorities and services required to achieve council priorities. In addition to the financial elements of the budget, a full program description will be included that identifies the purpose, services to be provided, departmental organization, objectives to be achieved and how each service and department will be evaluated.
- C. Approval and Adoption of Budget:** The City Council and Budget Committee will develop, adopt and amend the operating budget in accordance with Oregon Local Budget Law. The role of the Budget Committee is to develop a budget to recommend to City Council for adoption.
- D. Enterprise Funds:** The City will budget water, sewer, and electric funds as enterprise funds with no General Fund subsidies. Enterprise fund department/service will be assessed a pro-rata share of administrative costs as determined through the budget process and approved by City Council. Annually and through the budget process, City Council will review the actual costs of providing each of the enterprise fund services and ensure that fees and charges for these services are proper, appropriate and sufficient to manage emergencies, plan for the future and enhance the services as may be required.
- E. Capital Outlay:** Only costs related to projects or purchases that result in Capital Assets will be budgeted as Capital Outlay. See Section 6.A. "Capital Asset Policy".
- 1. Capital Outlay Costs:** Budgets for Capital Outlay projects include all costs for design and engineering, land or right-of-way acquisitions, appraisals, construction and construction management, furnishings, legal and administrative costs, and interest incurred during the construction phase, net of interest earned on the invested proceeds over the same period, for business-type activities only.
- F. Contingency:** Contingency amounts are budgeted to meet emergency conditions or situations that were unknown at the time the budget was prepared or infrequent or unanticipated expenses. The City Council must authorize the transfer of funds from Contingency to the appropriate expenditure line item within that fund/department by resolution before those funds can be used.
- 1. General Fund Contingency:** A Contingency of at least 10% of the operating budget, excluding Special Payments, Interfund Transfers and Unappropriated Ending Balance, may be budgeted each year in the General Fund. Contingency shall be kept in order to meet unanticipated increases in costs or unexpected, non-recurring expenditures during each fiscal year.
  - 2. Enterprise Fund Contingency:** The City will strive to maintain at least a 1% to 5% contingency of operating budget in each of the Enterprise Funds.
- G. Unappropriated Ending Balance:** The City will strive to maintain an Unappropriated Ending Fund Balance equal to four months of net operating expenses in all department or service funds.

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- H. Electric Department Emergency Fund:** It is the goal of the City to maintain at least \$1 million dollars in reserve in the Electric Fund to deal with unanticipated emergencies and system failures. It is recognized that this policy element may take 4-6 years to attain.
- I. Budget Review System:** The City will employ a budget review system in order to regularly monitor revenues and expenditures with the opportunity for budget adjustments as needed. Council, Committees and Department Heads will receive monthly and quarterly financial reports. At least quarterly, the City Council will receive a complete and thorough briefing of budget status. This report will be accompanied by a staff report informing Council of the level of completion of approved objectives. Monthly reports will include expenditure detail related to recommendations made by boards and committees.

## **Section 4. Revenue Policies:**

- A. Diverse and Stable Revenues:** The City will pursue a diversified and stable revenue stream in order to avoid over-reliance on, and short term fluctuations in, one source of funds. A stable revenue source(s) is necessary for the community to grow and prosper.
- B. Windfalls and One Time Revenue:** The City will not use windfalls or one-time revenue sources to fund ongoing activities and mainstream services; one-time revenues will be used only for one-time expenditures.
- C. Fees and Charges for Service:** Fees and charges for service are assessed to specific users where the user pays all or a portion of the costs to provide the service.
- 1. Cost Recovery:** When establishing charges and fees, the City will consider the full cost of providing the service, along with any circumstances and issues that may be factors that do not allow for full recovery of the costs of providing the service.
  - 2. Annual Review:** The City Council will review charges and fees annually in conjunction with budget in order to allow for regular, incremental rate increases to offset the effects of inflation and additional costs. Any fee, rate or charge increase will comply with City Council policy in making any such changes.
- D. Utility Fees (Water, Sewer, Electric):**
- 1. Basis of User Charges:** User charges for each of the City utilities will be based on the cost of providing the services (i.e. set to fully support the total direct, indirect, and capital costs) and are established so that the operating revenues of each utility are at least equal to its operating expenditures, reserves, debt coverage and annual debt service obligations, and planned replacement of the utility's facilities.
  - 2. Periodic Review:** The City Council will review the user charges for each of the City utilities annually in conjunction with the budget process in order to allow for regular, incremental rate increases to offset the effects of inflation and additional costs.
  - 3. Internal Payments (Franchise Fees based on use of City right of way by the effected utility):** Franchise fees are established by City Council by separate resolution based on a percentage of sales

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of Water, Sewer, and Electric. This will be budgeted and paid monthly from those funds to the General Fund.

## **Section 5. Employee Expenditure Policies:**

**A. General Provisions Related to Public Contracting:** The City Council, acting as the Contract Review Board, may adopt rules of procedure for public contracting for the City of Cascade Locks through adoption of a separate resolution. In such an instance, the Model Rules adopted by the Attorney General do not apply to the City of Cascade Locks except where they have been incorporated into the City's Contract Review Board Rules. In the absence of the adoption of rules by the Contract Review Board, the Model Rules adopted by the Attorney General shall control.

**B. Purchasing Authority Levels and Required Documentation:** Purchasing authority levels and the required documentation for each are listed below. Purchasing procedures are contained in this Purchasing Policy. It is the policy of the City that the purchasing policies be strictly carried out.

### **1. Expenditure and Authorization Levels**

<u>Expenditure Level</u>	<u>Authorized Position</u>
a. 0 to \$10,000 per occurrence	Department Heads
b. 0 to \$25,000 per occurrence	City Administrator

Any expenditure in excess of \$25,000 outside of an approved formal contract must be presented to City Council for authorization.

The City Administrator is authorized to approve expenses over \$25,000 in emergency situations.

All expenses over \$10,000 must be reported to Council at the next Council meeting.

### **2. Purchase Orders**

- a. Purchase Orders are required for all expenditures that meet Capital Outlay, Capital Asset and Capital Improvement limits and non-routine inventory (i.e. office supplies, restroom supplies, utility bills, etc.) purchased outside an approved formal contract.

### **3. Bids**

- a. All expenditures over \$25,000 outside of an approved formal contract require three written bids or proposal. If three written bids or proposals are not reasonably available, fewer will suffice if there is a written record of the effort made to obtain three written bids.

## **Section 6. Capital Asset and Improvement Policies:**

### **A. Capital Asset Policy:**

#### **1. Definition of Capital Asset:**

- a. Capital Assets include property, plant, equipment, and infrastructure assets.
- b. A Capital Asset must meet the following criteria
  - Be an item of system of components that cost more than \$3,000 and

# City of Cascade Locks Financial Management Policies

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- Have a life of more than one year, or
- Add value to or materially extend the life of an existing Capital Asset
- c. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

## 2. Capital Asset Accounting Policy:

- a. Assets are recorded at actual cost or historical cost or estimated historical cost when actual cost is not available.
- b. Donated capital assets are recorded at estimated fair market value at the date of donation.
- c. Major outlays for capital assets and improvements are capitalized as the projects are constructed, and include all costs of the project.
  - all design and engineering costs
  - land or right-of-way acquisitions
  - appraisals
  - construction and construction management
  - furnishings
  - legal and administrative costs
  - interest incurred during the construction phase, net of interest earned on the invested proceeds over the same period, for business-type activities only.
- d. Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives
  - Buildings and Improvements – 20-50 years
  - Public Domain Infrastructure – 30-100 years
  - System Infrastructure – 20-50 years
  - Vehicles – 10-20 years
  - Office and Other Equipment – 5-10 years
- e. Land is not depreciated
- f. No depreciation on capital assets is recorded in the year of acquisitions and a full year of depreciation is recorded in the year of disposition.

## B. Intangible Capital Assets Policy (GASB 51):

### 1. Definition of Intangible Capital Asset:

- a. Intangible assets include easements, water rights, patents and internally generated computer software, etc.
- b. An Intangible Capital Asset must meet the following criteria:
  - Have an individual cost more than \$5,000 and
  - Have a life of more than five years, or
  - Add value to or materially extend the life or significantly increase the capacity of an existing Intangible Capital Asset.
- c. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

### 2. Intangible Capital Asset Accounting Policy:



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- a. Assets are recorded at actual cost or historical cost or estimated historical cost when actual cost is not available.
- b. Contributed intangible assets are recorded at estimated fair market value at the time received.
- c. Intangible assets are amortized using the straight line method over the estimated useful life of the asset.
- d. Intangible assets with indefinite lives are no amortized.
- e. No amortization of intangible capital assets is recorded in the year of acquisition and a full year of amortization is recorded in the year of disposition.

## C. Capital Improvement Policy:

1. **Five –Year Capital Improvement Plans:** The City will maintain its commitment to its five-year Capital Improvement Plans for the City, including the Street, Water, Wastewater, and Storm Water systems.
2. **Funding Methods:** The City will actively pursue the least costly funding methods for its Capital projects, including grants, private sector funding, contributions and low-cost State and Federal loans whenever possible.
3. **Debt Financing:** The City will only pursue debt financing in order to finance capital improvement projects, and only when other funding possibilities have been exhausted or are inadequate to finance the projects.
  - a. The City will only utilize debt financing which does not extend past the expected useful life of the project.
  - b. Capital projects will only utilize debt financing if market conditions present favorable interest rates for the City.
  - c. Capital projects will only utilize debt financing if the issuance of that debt will not adversely affect the City’s credit and bond ratings.

## Section 7. Land Acquisition Policies:

- A. **Purchase of Land:** The City will pursue the purchase of land in order to serve the anticipated future needs of the community.
- B. **Approval of Land Acquisitions:** The City Council will approve all land acquisitions entered into by the City, excluding easements, dedications and liens.
- C. **Proposal Requirements:** Any land acquisition proposal submitted to the City Council will be accompanied by City staff review and recommendations.

## Section 8. Banking/Deposits Policies:

- A. **Collateralization:** The City will participate in the State Treasurer’s Public Funds Collateralization Program (PFCP). The City will ensure that all bank deposits with banks that are not participants in the PFCP are entirely insured or adequately collateralized in accordance with Oregon Revised Statute 295.

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## Section 9. Investment Policies:

- A. Investment Objectives:** The City will seek to attain a market rate-of-return throughout all fiscal cycles, while avoiding imprudent credit and speculative risk, and maintaining liquidity sufficient to meet operating needs.
- B. Investment Restrictions:** The City will manage its investment program in accordance with the Oregon Revised Statute 294, and does not further restrict investment choices.

## Section 10. Debt Policies:

- A. Statutory Debt Limits:** The City will comply with all statutory debt limitations imposed by the Oregon Revised Statutes.
- B. Purpose of Debt:** The City will only incur long-term debt in order to finance capital improvement projects, and only when those projects are too large to be financed from current available resources.
- C. Maintain Bond Rating:** The City will avoid financial activities that will have an adverse effect on its outstanding bond rating.

## Section 11. Risk Management Policies:

- A. Risk management Program:** The City will implement and maintain a Risk Management program designed to decrease exposure to risk. At a minimum, the program will include:
  - 1. Annual Insurance Evaluation:** An annual examination of the City's insurance program to evaluate how much risk the City should assume.
  - 2. Internal Controls:** Internal Control procedures shall be set by Administrative Policy.
  - 3. Safe Workplace Action Plan:** A safety program that emphasizes reducing risks through training and safe work habits.

## Section 12. Accounting and Financial Reporting Policies:

- A. Accounting:** The City will maintain a system of financial management and accounting that ensures transactions are appropriately recorded, risk of fraud or financial loss is identified, and internal controls are developed and maintained to manage the risk.
  - 1. Internal Controls:** The City will maintain policies and process that are designed to provide reasonable assurance that the City is achieving the following objectives:
    - a. Effective and efficient operations.
    - b. Reliable and accurate financial information.
    - c. Compliance with applicable laws and regulations.
    - d. Safeguarding assets against unauthorized acquisition, use or disposition.
  - 2. Annual Audit:** The City shall hire an independent auditor to perform an annual audit of the financial statements, including tests of the internal controls.

# City of Cascade Locks Financial Management Policies

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## **B. Financial Reporting:**

### **1. Internal Reporting:**

- a. The City Administrator and City Council will receive monthly financial reports sufficient to ascertain the City's financial status.
- b. Committees, Boards and Department Supervisors will receive monthly financial reports and department reports pertaining to their department(s) to ascertain the financial status of said department(s).

### **2. External Reporting:**

- a. The City will have available the annual independent audit results, in accordance with generally accepted accounting principles (GAAP) when the document is completed.

## **Section 13. City Committees, Boards and Task Forces Expenditure Policies:**

City Committees, Boards, and Task Forces do not have authority to make or authorize any expenditure or obligate the City for the payment of any bill or service. These groups are established by the City Council and can only make recommendations or present findings to the City in carrying out their assigned responsibilities. The City Council is the final decision maker for all matters affecting City government in Cascade Locks.

**A. Budgeting:** City Council appointed Committees, Boards may be asked to assist in developing the annual budget for that portion of the budget that most directly affects the Committee or Board. As an example, the Tourism Committee may be asked to assist in developing the budget for the City and may be requested to participate in making the budget presentation to the Budget Committee and City Council.

- 1. Budget:** In the budget development process, advisory groups are required to work within the framework of the City's budget format and provide as much specific detail as is possible. Including purpose, services, specific expenditures, objectives and measures of success.

**B. Expenditures:** In recommending expenditures, the Committees and Boards shall:

- 1.** Prior to any meeting where expenditure recommendations may be made, check with the Finance Department to ensure the availability of funds and to double check the specific recommended expenditure fits within the Budget outline.
- 2.** Get from the Finance Department the latest monthly expenditure report. Be sure that the balance in the fund or is sufficiently identified.
- 3.** At the meeting, discuss the proposed spending recommendation then take a formal vote to authorize the recommendation.
- 4.** If the recommendation is denied, indicate this in the Committee minutes.
- 5.** If the recommendation is approved, fill out the Purchase Order form completely with vendor name, address and phone number, description of the

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expense, account number to be charged to and the vote tally (yes or no) and have the Chair of the group sign the request.

6. Immediately after the meeting, provide the Finance Department with a copy of all recommended purchase order actions.

**C. Payment:** Purchase recommendations by Committees or Boards will be processed with the same policy as required by City Departments. Expense recommendations by Committees or Boards will be reported monthly to City Council by the Finance Department.

1. The Finance Department will see that the amount is encumbered in the accounting system. Once the invoice is received the PO will be matched to the invoice and given to Account Payable for payment to be made at the next bill payment schedule.

**D. Monthly Reporting:** The Finance Department will provide to each Committee or Board member a monthly report documenting all revenues, expenditures and balances to date.

**E. Billing:** All Committees, Boards, Commissions and Task Forces will ensure that all bills, invoices or other expenditure requests come to the City in care of the Finance Department

**D. Quarterly Reports:** Each quarter either the City Administrator or Authorized Designee will report to the Committees, Boards, Commission or Task Force and review budget expenditures to date.

## **Section 14. Purchasing Policy for Operating Expenses:**

- A. Expenditures between \$5,000 and \$25,000 require three telephone bids, expenditures above \$25,000 require three written bids. The City Administrator may request written bids for expenditures under \$25,000.

## **Section 15. Grant Policy:**

- A. Grants under \$100,000 will be administered by the City. Grants over \$100,000 will be contracted out to Mid Columbia Economic Development District (MCEDD) to be administered. The administrative fee will be paid from the grant proceeds if the grantor approves. The City Administrator may hire MCEDD for grants under \$100,000 if they feel it is necessary.

## **Section 16. Annual Review:**

- A. Annually in January the City Council shall review this policy and make new provisions or alterations as City Council determines necessary.