MID-WILLAMETTE VALLEY
COUNCIL OF GOVERNMENTS

Comprehensive Financial Management Policies

March 2022

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Section Description Page

I. PURPOSE

These Comprehensive Financial Management Policies are the tools used to ensure that the Mid-Willamette Valley Council of Governments is financially able to meet its current and future service needs. The policies contained herein set a basis for both the financial planning, reporting and internal financial management of the COG.

Municipal resources must be wisely used to ensure adequate funding for the services, operations, and public facilities, necessary to meet immediate and long-term needs of the COG. These policies safeguard the fiscal stability required to achieve the Board's objectives and ensure the long-term financial health of the COG.

These policies are adopted by Board of Directors as the basic framework for overall financial management of the COG, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals.

1. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain support the COG membership.

2. Deliver cost effective and efficient services to members.

3. Provide and maintain essential services, public facilities, and capital equipment.

4. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the region and respond to other changes as they affect the members.

5. Protect and enhance the COG's credit rating so as to obtain the lowest cost of borrowing and also to assure the financial community that the COG is well managed and financially sound.

6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other professional standards.

7. Fully comply with finance related legal mandates, laws and regulations including Oregon Revised Statues and Oregon Budget Law.

To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves and internal controls. These policies shall be reviewed every year as part of the annual budget preparation process.

II. OBJECTIVES

1. To guide the Board of Directors and management policy decisions that have significant fiscal impact.

2. To employ balanced revenue policies that provides adequate funding for services and service levels.

3. To maintain appropriate financial capacity for present and future needs.

4. To maintain sufficient reserves to maintain service levels during periods of economic downturn.

5. To promote sound financial management by providing accurate and timely information on the COG's financial condition.

6. To ensure the legal use of financial resources through an effective system of internal controls.

7. To protect the COG's credit rating and provide for adequate resources to meet the provisions of the COG's debt obligations on all municipal debt.

8. To promote cooperation and coordination with other governments and the private sector in financing and delivery of services.

III. MANAGEMENT OF FISCAL POLICY

The Executive Director is responsible for overseeing the management of the COG's fiscal policies and monitor compliance. If the Executive Director discovers a material variation from policy, the Executive Director shall report it in writing to the Board in a timely manner. The report will explain the impact of the material variation on the COG's operations, service levels and/or finances and substantive impact of all recommendations to changes in fiscal policy.

As a part of the COG's annual budget document, the Executive Director's budget message will identify (a) all major changes in policy since the previous budget year and (b) any material variations from policy in the ensuing year's budget. Fiscal policies and changes in policies will be approved by the Board, and adopted by resolution.

IV. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICY

The COG will maintain accounting practices in accordance with state and federal law and regulations, and financial reporting that conforms to Generally Accepted Accounting Principles (GAAP). Provide for, prepare and present regular reports that analyze and evaluate the City's financial performance and economic condition.

1. Accounting Practices and Principles
   The COG will maintain accounting practices in accordance with state and federal law and regulations, and annual financial reporting that conforms to GAAP as set forth by the Governmental Accounting Standards Board (GASB), the authoritative standard setting body for units of local government. The COG's monthly financial reports will be reported on the budgetary basis. At year-end, the general ledger and financials will be adjusted to GAAP, and the annual financial reports and continuing disclosure statements will meet these standards.

2. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations. When staffing limitations require it, staff duties will be assigned to maximize a system of financial checks and balances.

3. Annual Audit
   a. Pursuant to state law, the COG will have an annual financial and compliance audit, and prepare financial statements based on the audited financial information. The audit will be performed by a certified public accounting (CPA) firm, licensed to practice as Municipal Auditors in the State of Oregon. The annual financial report, including the auditor's opinion and specific reports as required by Oregon state regulations, will be filed no later than six (6) months following the end of the fiscal year and will be presented to the Board in that same time frame. The audit firm will also provide a Single Audit of Federal and State grants, when necessary. The Executive Director will be responsible for establishing a process to ensure timely resolution of audit recommendations, if any.

4. Financial and Management Reporting
   a. Quarterly financial reports will be provided to the Board, the Executive Director and department heads. These reports will include department revenues and expenditures actual to date with comparison to the budget. These reports will be distributed within 45 working days of the end of each quarter.

   b. A goal of the COG is to eventually prepare a comprehensive annual financial report subjected to independent audit and prepared in a format that conforms to the standards of the Government Finance Officers Association *Certificate of Achievement for Excellence in Financial Reporting*. The report shall be shared with the Executive Director, Board, Budget Committee and the Secretary of State. In accordance with state law the report shall be distributed no later than December 31st of the following fiscal year.

V. REVENUE POLICY

1. The COG will estimate its annual revenues by an objective, analytical process. Because most revenues are sensitive to conditions outside the COG's control, estimates will be conservative.

2. The COG should take advantage of every revenue generating opportunity authorized by Oregon Revised Statutes and the Oregon Constitution.

3. The COG shall pursue an aggressive policy of collecting delinquent accounts, including the use of collection agencies as authorized by the Board.

4. Charges for providing services will be sufficient to finance all operating, capital outlay and debt service expenses including operating contingency and reserve requirements. User fees and charges will be set at a level sufficient to recover the full cost of service whenever practical to minimize subsidization by the general membership. Rates will be adjusted as needed to account for major changes in consumption, capital improvements and cost increases. The COG will systematically review user fees and charges to consider the effects of additional service costs and inflation.

5. The COG will maintain a current schedule of fees which will be reviewed annually and adopted by resolution.

VI. EXPENDITURE POLICY

Expenditures will be controlled through appropriate internal controls, procedures, and regular monitoring of monthly budget reports. Management must ensure expenditures comply with the legally adopted budget. Each department head will be responsible for the administration of their department program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department program budget for compliance with spending limitations.

1. The Board of Directors will approve the budget by fund at the category or program level. Expenditures anticipated to be in excess of these levels require approval of a Board resolution (i.e. supplemental budget process).
2. The COG will follow the employee compensation practices that are consistent with the COG's adopted Personnel Handbook and approved collective bargaining agreements, if any.
3. The operation of COG departments or divisions must have adequate funds to procure needed supplies to provide service.
4. The COG will maintain a purchasing ordinance for public procurements and improvements and set expenditure authorization levels for staff.
5. All expenditure invoices must be reviewed and approved by the executive Director, and/or the appropriate department head before being paid. Two signatures or electronic approvals are required on COG checks.
6. The COG will make every effort to control expenditures to ensure COG services and programs provided to its members are cost effective and efficient.
7. Items costing $5,000 or more, per item, will be budgeted and accounted as capital outlay and shall be tracked in the COG's fixed assets records. Significant repair or maintenance that extends the useful life of existing assets will be included here provided the dollar threshold is met. The $5,000 limit will apply to individual items unless a group of items are intended to function together as a unified system.
8. Pass-Through Funds are subject to the Pass-Through Funding Policy.

VII. CAPITAL IMPROVEMENT POLICY

The COG will prepare a three-year Capital Purchase Plan (CPP) encompassing all COG capital equipment annually with the budget. The CPP will be composed of purchases identified in the COG's adopted master plans. The three-year CPP will be incorporated into the COG's budget and long-range financial planning processes.

1. The COG will maintain its physical assets at a level adequate to protect the COG's capital investment and to minimize future operating maintenance and replacement costs. The COG recognizes that deferred maintenance increases future capital costs, thus placing a burden on the membership. Therefore, the budget will provide for adequate maintenance and the orderly replacement of capital equipment from current revenues when possible.

2. The COG will determine the least costly funding method for its capital assets and will obtain grants, contributions and low-cost state or federal loans whenever possible.

3. The COG will establish capital equipment reserves to provide for funding of vehicles and equipment. The COG will also establish major repairs and replacement reserves to provide for funding of major repairs and replacements.

4. The COG may utilize "pay-as-you-go" funding for capita purchases when current revenues and adequate fund balances are available or when acquiring debt would adversely affect the COG's credit rating or put the COG in violation of its debt limitation provision in the ORS 190 agreement.

5. The COG will consider the use of debt financing for capital projects under the following circumstances:
   a. When the purchase's useful life will exceed the terms of the financing.
   b. When resources are deemed sufficient and reliable to service the debt.
   c. When market conditions present favorable interest rates for COG financing.
   d. When the acquisition of debt will not adversely affect the COG's credit rating, coverage ratios or violate the ORS 190 agreement.

6. Special funds dedicated for capital purchases will be segregated in the accounting system and used only for the intended capital purposes.

VIII. OPERATING BUDGET POLICY

The COG will prepare an annual budget with the participation of all departments. All budgetary procedures will conform to existing state and local regulations. Oregon Budget Law requires each local government to prepare a balanced budget and Oregon Administrative Rules state: 1) the budget must be constructed in such a manner that the total resources in a fund equal the total of expenditures and requirements for that fund and 2) the total of all resources of the must equal the total of all expenditures and all requirements.

1. A Budget Committee will be appointed in conformance with state statutes. The Budget Committee's chief purpose is to review the Executive Director's proposed budget and recommend a budget and tax levy for the Board to adopt.
2. The budget will support COG Board goals and priorities and the long-range needs of the membership.
3. The COG budget process will incorporate the proposed Capital Purchase Plan for the upcoming fiscal year.
4. Multi-year projections will be prepared in conjunction with the proposed budget to determine if adjustments in expenditures or revenues are needed.
5. The COG will manage each fund as an independent entity in accordance with applicable statutes and with generally accepted accounting principles.
6. The COG will allocate direct and administrative costs to each fund based upon the cost of providing these services.
7. The COG will take immediate corrective action if at any time during the fiscal year financial monitoring indicates that an operating fund's anticipated expenditures are expected to exceed its anticipated revenues.
8. The use of fund balance, which is a one-time revenue source, may be used to fund an annual operating deficit only with approval of a plan to replenish the fund balance if it is brought down below policy level. (See Reserve Policy)
9. The COG will work towards the goal of preparing a budget document which complies with the standards necessary to obtain the *Award for Distinguished Budget Presentation* from the Government Finance Officers Association (GFOA). The COG will submit its budget for award consideration annually.

IX. LONG-RANGE FINANCIAL PLANNING POLICY

The COG will prepare a long-term financial plan to promote responsible planning for the use of its resources. The long-term financial plan will project revenues, expenditures and reserve balances for the next five years. The analysis will incorporate the COG’s approved Capital Purchase Plan.

Long term projections of revenues and expenditures will be realistic, conservative, and based on best practices established by the Government Finance Officers Association.

X. DEBT MANAGEMENT POLICY

1. Capital purchases financed through the acquisition of debt, will be financed for a period not to exceed the useful life of the purchase.
2. The COG will use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements.
3. The COG will not use long-term debt to fund current operations, to balance the budget or to fund purchases projects that can be funded from current resources.
4. The COG will comply with all statutory debt limitations imposed by the Oregon Revised Statutes and the ORS 190 agreement.
5. The COG will obtain and maintain a good credit rating.

XI. RESERVE AND CONTINGENCY POLICY

Reserves and contingencies are an important indicator of the COG’s financial position and its ability to withstand adverse events. Maintaining reserves and contingencies are a prudent management practice. The following are examples of their use:

Operating Contingency – A budgetary account used to appropriate resources that can be used to address events or services needs that were unanticipated during budget development.

Capital Asset Reserve – A reserve established to accumulate resources that will be used to replace capital assets and to provide for major customer service enhancements, where procurement will be budgeted in a future year. The COG will maintain capital reserves sufficient to replace assets at the end of their useful lives.

Debt Service Reserve – A reserve established as a requirement of in a debt instrument.

The COG will maintain sufficient contingency and reserves in each fund to be able to:

1. Mitigate short-term volatility in revenue.
2. Absorb unanticipated operating needs that arise during the fiscal year but were not anticipated during the budget process.
3. Sustain COG services in the event of an emergency.
4. Meet operating cash flow requirements before the collection of property taxes, grant proceeds and other operating revenues.
5. Meet major facility and equipment repair and maintain needs.

6. Meet future capital purchase needs to minimize future debt obligations and burden on future citizens.

The COG will maintain a contingency of no less than three months of total operating expenses for the General Fund, and no less than two months of total operating expenses for other operational activities. The COG will also establish capital asset reserves to provide for the replacement of certain fixed assets as determined by the Board.

If reserves, and contingencies decrease to levels below the levels established by this policy, the COG will develop a plan to restore reserves and contingencies to the required levels.

XII. INVESTMENTS

All COG funds shall be invested to provide safety of principal and a sufficient level to meet cash flow needs. One hundred percent of all idle cash will be continuously invested in the Local Government Investment Pool maintained by the State Treasurer.

XIII. FIXED ASSET CAPITALIZATION POLICY

The purpose of this policy is to establish standard procedures for capitalizing fixed assets to facilitate the identification, reporting, and safeguarding of COG assets in compliance with generally accepted financial reporting requirements.

Asset Value
Capital assets are valued at their historical cost. In the absence of historical cost information, the asset's estimated historical cost will be assigned and used. Contributed capital is reported at fair market value or cost on the date the asset is contributed.

The historical cost of a capital asset includes the following:

- Cost of the asset
- Ancillary charges necessary to place the asset in its intended location (i.e. freight charges)
- Ancillary charges necessary to place the asset in its intended condition for use (i.e. installation and site preparation charges)
- Capitalized interest
- Any subsequent improvements that meet the qualifications listed below.

Capitalization Threshold
The COG will capitalize all individual assets with a threshold of $500 and has an estimated useful life of 3 years or more.

Grouped or Networked Assets
Individual assets that cost less than the capitalization threshold, but that operates as part of a network system will be capitalized in the aggregate, using the group method if the estimated average useful life of the individual asset is 3 years or more. A network is determined to be where individual components may be below the capitalization threshold but are interdependent and the overriding value to the COG is on the

entire network and not the individual assets. Examples include: computers, software licenses, new office furniture, etc.

Depreciation Method
Capitalized assets are depreciated using the straight-line method in the Annual Financial Report. The COG maintains a depreciation schedule for the General Fund and all proprietary funds.

Estimated Useful Lives
The following guidelines are used in setting estimated useful lives for asset reporting:

Buildings & Improvements	25 – 40 years
Land Improvements	10 – 20 years
Machinery and Equipment	3 – 10 years
Vehicles	5 – 10 years
Utility Systems	25 – 40 years
Infrastructure	20 – 40 years

Improvements vs. Maintenance Costs
With respect to asset improvements, costs at or over the capitalization threshold will be capitalized if:

- The estimated life of the asset is extended by more than 25%, or
- The cost results in an increase in the capacity of the asset, or
- The efficiency of the asset is increased by more than 10%, or
- Significantly changes the character of the asset.

Improvements that do not meet these criteria would be expensed as repair and maintenance.

Assets Below Capitalization Policy
The COG will report assets which do not meet the capitalization threshold on an inventory list to maintain adequate control and safeguard COG property. Periodic audits will be performed to verify that items listed on the inventory report are still located on COG property for COG's personnel use. Example: tools, small equipment, office equipment, etc. An annual inventory will be completed each year.

Supplemental Financial Policies
Appendix A: Pass-Through Funding Policy

Pass-through Funding Policy

Overview
Managing federal pass-through grants can be an excellent way for a regional government to facilitate more funding for their region. The federal government allows grant recipients to act as pass-through entities to provide funding to other recipients. The pass-through entity receives federal funds which it "passes on" or "passes through it" to other recipients. These government programs require extensive record-keeping and data reporting, as well as enhanced security.

The Mid-Willamette Valley Council of Governments was formed as an ORS 190 Entity for the purpose of leveraging regional opportunities, and to provide service to our member governments. One of the services we provide is to serve as a pass through agency for Federal Grants. The purpose of a pass-through grant is to carry out the work of a large federal program on smaller, local levels. Our members rely on the expertise of MWVCOG to distribute funds to the right sub-recipients and to monitor the activities and spending of the grant funds.

The purpose of a Pass-through Funding Policy is to ensure the MWVCOG is meeting key compliance requirements. Such as:

- Having specific federal authorization prior to entering into any subaward under the award.
- Requiring subawardee compliance with 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Requiring progress and financial reporting. Reporting subawards (over $30,000) as required by the Federal Funding Accountability and Transparency Act (FFATA).
- Collection of performance data from the subawardee Monitoring subawardees: take the appropriate actions to get the subrecipient back on track if problems arise.

Definitions:
Pass Through Entity - A non-federal entity that provides a subaward to a subrecipient to carry out part of a Federal program (Title 2 CFR 200.74).
Subrecipient - A non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program (Title 2 CFR 200.93).

Roles and Responsibilities
As a pass-through entity, MWVCOG's role is to determine which local offices and organizations should receive federal assistance. These sub-recipients should work toward accomplishing the mission and goals of the larger governmental organizations allocating the funds. The federal office granting the funding may provide you with a list of standards or requirements that sub-recipients must fulfill to receive a pass-through grant.

Once pass-through grant is awarded, it's important to understand that both MWVCOG and the sub-recipient need to adhere to the policies set by the government office funding the grant.

Pass Through Entity Requirements:

- Evaluate the risk posed by applicants before they receive an award.
- Consider such elements as:

    - Applicant’s eligibility or the quality of its application;
    - Financial stability and quality of management system;
    - History of performance; and o Audit findings.
- Identify total funding amount to be provided to subrecipients
- Ensure payment to subrecipient is processed timely.
- Ensure subrecipients audits are complete, issue a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and ensure that subrecipients take the proper and timely actions on audit findings
- Closeout the subaward when all applicable administrative actions and all grant related work have been completed
- Require the subrecipient to submit all financial, performance, and other reports to the pass-through entity within a specified time after the end date of the subaward’s period of performance.
- Closeouts should be completed in time to meet the federal agency’s closeout timeline.

Please refer to the Pass-through Entity’s Responsibilities Checklist.

Subrecipient Files & Documentation:

- Subrecipient Grant File: signed agreement, contract, MoU, correspondence between subrecipient and pass-through entity, signed award document, Progress Reports, Financial Reports.
- Pre-Award documentation: announcement, decision-making supporting documentation
- Financial documentation: including but not limited to: proof of payments, invoices, receipts, etc.
- Federal Funding Accountability and Transparency Act (FFATA) reports
    - For any subgrants issued awards in excess of $100,000, please ensure you have subrecipient’s Lobbying Certification which can be found here: https://www.gsa.gov/forms-library/disclosure-lobbying-activities

This policy is subject to change to comply with reporting requirements.

Pass-through Entity's Responsibilities Checklist

Section	Uniform Requirements – 2 CFR Part 200	Completed (Y/N)
Subrecipient and Contractor Determination		
200.330	A determination has been made as to whether the entity receiving federal funds is a subrecipient or a contractor based on the definitions outlined inthe Uniform Requirements.	
200.331 (a)	The subrecipient has been informed of the subaward and their requirements to comply with the provisions outlined in the Uniform Requirements.	
Required Subaward Identification Information		
200.331 (a)(1)	Subrecipient name (must match registered name in DUNS)	
	Subrecipient's DUNS number	
	Federal Award Identification Number (FAIN)	
	Federal Award Date	
	Subaward period of performance start and end date	
	Amount of federal funds obligated by this action	
	Total amount of federal funds obligated to the subrecipient	
	Total amount of federal award	
	Federal award project description, as required to be responsive to theFederal Funding Accountability and Transparency Act (FFATA)	
	Name of federal awarding agency, pass-through entity, and contact information for awarding official	
	CFDA number and name	
	Whether or not the award is R&D	
	Indirect cost rate for the federal award	
Requirements for Pass-through Entities		
200.331 (a)(2)	The subaward includes all requirements imposed by the pass-through entityto ensure the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.	
200.331 (a)(3)	Any additional requirements imposed by the pass-through entity in order tomeet its responsibilities with the Federal awarding agency to include identifying any required financial and performance reports.	
200.331 (a)(4)	A current approved indirect cost rate between the subrecipient and the federal government. If no rate exists, either a rate negotiated between the pass-through entity and the subrecipient or a de minimis rate of 10%.	
200.331 (a)(5)	The subaward includes a requirement that the subrecipient allows the pass- through entity and auditor's access to their records and financial statements.	
200.331 (a)(6)	The subaward includes the appropriate terms and conditions regarding thecloseout of the award.	
200.331 (b)	Assess the subrecipient's risk of non-compliance with federal statutes, regulations, and terms and conditions of the subaward (*see Subrecipient Monitoring Risk Factors Checklist*).	

Section	Uniform Requirements – 2 CFR Part 200	Completed (Y/N)
200.331 (c)	Consider imposing specific subaward conditions on a subrecipient, if appropriate as described in § 200.207 (*Specific Conditions*).	
Subrecipient Monitoring Requirements		
200.331 (d)	Activities of the subrecipient are monitored as necessary to ensure the subaward is used for authorized purposes; is in compliance with Federalstatutes, regulations and the terms and conditions of the subaward and performance goals are met.	
Section	Uniform Requirements – 2 CFR Part 200	Completed (Y/N)
200.331 (d)(1) (2)&(3)	Monitoring of subrecipients must include: • Reviewing financial and programmatic reports, • Follow-up process to ensure subrecipient takes timely and appropriate action on all deficiencies detected through audits, on- site reviews, and other methods, and • Issue a management decision for all audit findings pertaining to the award.	
Subrecipient Monitoring Tools		
200.331 (e)	Based on the results of the risk assessment performed, consider other monitoring tools to ensure proper accountability and compliance withprogram requirements.	
200.331 (e)(1)	Provide subrecipients with training and technical assistance on program related matters.	
200.331 (e)(2)	Perform on-site reviews of the subrecipient's program operations.	
200.331 (e)(3)	Arrange for agreed upon procedures engagement as described in § 200.425 (*Audit Services*).	
Additional Monitoring Requirements		
200.331 (f)	Verify that every subrecipient is audited as required by Subpart F when it isexpected that Federal funds expended during the fiscal year either equaled or exceeded the $750,000 threshold set forth in § 200.501 (*AuditRequirements*).	
200.331 (g)	Make necessary adjustments to the pass-through entity's records based onthe results of a subrecipient's audit, on-site review, or other monitoring efforts.	
200.331 (h)	Consider taking enforcement action against non-compliance subrecipients as described in § 200.338 (*Remedies for Non-compliance*).	