

1- FINANCIAL PLANNING & REPORTING

In order to more closely correspond with the budget, the Tillamook Urban Renewal Agency's (TURA or Agency) financial statements are reported on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB), but is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation. The cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues and expenditures reported in the period in which they occurred.

Budgeting Process

Policy: The Agency's annual budget is prepared and approved annually for all departments. The budget is prepared by the TURA Administrator and staff. The Budget Committee reviews and recommends approval to the Board of Directors. The budget is to be approved by the Board of Directors prior to the start of each fiscal year. The budget is revised during the year only if approved by the Board of Directors.

Procedures:

- The Agency Administrator will work together with staff to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- The Agency Administrator will ensure that the budget is developed using the Agency's standard revenue and cost allocation procedures.
- The Agency Administrator will present a draft budget to the Budget Committee at least 60 days prior to the end of the fiscal year and at least 30 days prior to its submission to the full Board of Directors.
- The Budget Committee shall review and approve a recommended fiscal year budget and submit it for approval to the Board of Directors.
- The Board of Directors will review and approve the budget at its last meeting prior to the start of the fiscal year.
- Management must obtain Board authorization for all appropriation transfers and supplementary budgetary appropriations.

Internal Financial Reports

Policy: The Agency prepares regular financial reports on a monthly basis. All reports are finalized no later than 30 days after the close of the prior month.

Procedures:

- TURA staff is responsible for producing the following year-to-date reports within 30 days of the end of each month: Budget v. Actual and updated Cash Flow Projection.
- The TURA Administrator reviews financial reports each month and presents reports to the full Board of Directors on a monthly basis.

Audit

Policy: Annual Agency audits are required by state law and are performed by an outside, independent auditing firm.

Procedures:

- The Agency will contract with an accounting firm each year to perform an audit of the Agency financial records.
- The auditing firm will perform an audit for the agency as required by state law.

2- REVENUE

Revenue Recognition

Policy: All Agency revenue will be recorded in accordance with GASB except in a cash basis format. Revenues are recorded as received and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the Agency's Chart of Accounts.

Procedures:

- TURA staff is responsible for posting revenue to the general ledger in accordance with the determination made by the Board of Directors.

Cash Receipts

Policy: Cash receipts received by mail or in person are handled only by authorized agency staff.

Procedures:

- Payments made to the Agency via US mail are date stamped and only opened by authorized agency staff.
- Payments made to the Agency in person are taken by authorized agency staff if available. If staff is not available, the payment is date stamped, placed in a sealed envelope, and placed in the City safe for process by authorized agency staff.

Deposits

Policy: All revenue and payments received will be handled and processed only by authorized agency staff in a timely fashion.

Procedures:

- Authorized agency staff will deposit any revenue or payments received into the appropriate account at the earliest convenient time.

3 – ASSET MANAGEMENT

Cash Management and Investments

Policy: Agency cash reserves will only be invested in state and federally insured financial institutions. Investments of any other kind will be reviewed and approved by the Board of Directors.

Procedures:

- Cash reserves will be reviewed by staff on a monthly basis to determine that the reserves are placed for the best return of the agency.
- Staff will report to the Board of Directors on any reinvestment of cash reserves.

Capital Equipment

Policy: Capital assets, including infrastructure and intangible assets, shall be properly capitalized, and reported. *(An item is capitalized when it is recorded as an asset, rather than an*

expense. U.S. accounting rules consider capital equipment that costs more than \$5,000 and has an extended lifetime of over one year to be a fixed asset of a business.)

Procedures:

- Assets with a value of greater than \$5,000 will be capitalized.
- All capital assets, including land and equipment of the agency will be recorded and identified.
- The Agency will ensure that all capital assets, including land, property, and equipment, will be insured.

Operating Reserve

Policy: The target minimum operating reserve fund for the Agency is three (3) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services.

Procedures:

- The amount of the operating reserve will be calculated each year after approval of the annual budget, reported to the Board of Directors, and included in regular financial reports.
- The operating reserve will be funded with surplus unrestricted operating funds. The Board of Directors may, from time to time, direct that a specific source of revenue be set aside for operating reserves. Examples include one-time gifts, bequests, or special grants.
- To use the operating reserves, the TURA Administrator will submit a request to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The Agency's goal is to replenish the funds used within twelve (12) months.

Funding Allocations

Policy: All requests for private project assistance will be submitted by formal application as outlined by the appropriate Tillamook Urban Renewal Agency Assistance Program Guidelines. Funding for Public Projects will be regulated by the Tillamook Urban Renewal Agency Public Project Assistance Guidelines document.

Procedures:

- Submitted assistance applications are reviewed on an on-going basis by the Proposal and Justification Committee and referred to the full board for approval, modification, or denial.
- Project assistance award funds are retained by the agency until the Board of Directors approves reimbursement.
- The Board of Directors will monthly review the finances of the agency to determine the amount of project funding available.

Agency Lending

Policy: The Board of Directors has the authority to lend urban renewal funds for high profile projects, projects a majority of the Board deems a valuable project for the community. The amount of the loan, interest rate, term of the loan, and any other terms or conditions will be recommended by the Proposal and Justification Committee to the full Board of Directors for consideration. If the Proposal and Justification Committee is unable to review and recommend the loan request, the full Board can initiate the review for loan conditions and approval.

Procedures:

- The complete summary of the reasons for a loan request must be submitted in writing. The letter should include, but is not limited to, explanation for need, the full project budget, employment targets when appropriate, and any other information the applicant wishes to explain to the Board. The Board may request any other information they feel is pertinent to their decisions process
- The interest rate for Agency private project loans will be based on current prime rates at the date of approval of the loan. The rate will be set at a fixed rate for the term of the loan.
- The interest rate for Agency public project loans will be based on the current interest rate for the Agency.
- The Agency may place a lien for the full amount of the loan on the subject property for the set term of the loan.
- The Board has the option to require additional conditions to secure the loan.

Agency Granting

Policy: The Board of Directors has the authority to grant urban renewal funds for any project a majority of the Board deems valuable. The amount of the grant and any other terms or conditions will be recommended by the Proposal and Justification Committee to the full Board of Directors for consideration. The Agency will look more favorably on applicants that show a financial investment in the project. If the Proposal and Justification Committee is unable to review and recommend the grant request, the full Board can initiate the review for grant conditions and approval.

Procedures:

- The applicant shall complete and submit the required Agency application forms for review and approval as stated in the appropriate Tillamook Urban Renewal Agency Assistance Guidelines. The Board may request any other information it feels pertinent to its decision making.
- The Board has the option to require additional conditions to secure the grant.

Project Reimbursement

Policy: The Agency works on a reimbursement basis for all approved project disbursements. Each project reimbursement request will be reviewed and recommended by the Agency Contract Committee members who will take the payment request to the full board at their earliest regular meeting for approval or denial.

Procedures:

- Staff receives, reviews, and presents all reimbursement requests to the Contract Committee members.
- Monthly project reimbursement requests, with all required documentation, are due by the last business day of the month prior to next regular monthly board meeting.
- The Contract Committee Chair or designee will visually inspect the progress of the project segment, as reported in the reimbursement request, and report to the Committee, in order to make a recommendation to the full Board.
- Staff prepares reimbursement payments for disbursement to the applicant, once approved.

4 – EXPENSE & ACCOUNTS PAYABLE

Purchases & Procurement

Policy: Any expenditure in excess of \$5,000 for the purchase of a single item must have quotes from three (3) suppliers, if possible. These quotes will be reviewed by staff and the bid award must be specifically approved by the Board of Directors.

Procedures:

- Purchases of less than \$5,000 will be evaluated by the Agency Administrator or staff. Staff will determine if the Board of Directors is to be notified for consensus or review.
- Purchases of more than \$5,000 will request comparable quotes. After receipt of quotes, staff will review and present to the Board of Directors at the regular monthly meeting for discussion and potential approval.

Independent Contractors

Policy: Contracts with independent contractors for special services can be entered into upon approval of the Board of Directors.

Procedures:

- Management determines if an independent contractor will be necessary for a special service and presents the request to the Board of Directors.
- Requests for Qualifications or Requests for Proposals will be prepared by staff and sent to independent firms if services are anticipated to exceed \$5,000 in a given fiscal year.
- After review of all responses, the Board of Directors selects and authorizes approval of the independent contractor.
- Staff prepares the necessary contract documents for signatures.

Invoice Approval & Processing

Policy: All payments of invoices must be approved by the Board of Directors. Approved invoices will be paid within 30 days of receipt unless unforeseen circumstances require additional time.

Procedures:

- Invoices and bills will be opened and reviewed by authorized staff only. The TURA Administrator will be notified immediately of any unexpected or unauthorized expenses.
- Invoices and bills will be submitted to the full board for payment at its regular monthly board meeting.
- Copies of all invoices paid, along with a copy of the signed check, will be filed in the Agency office.

Petty Cash

Policy: Authorized agency staff will keep a petty cash box not to exceed \$50. Petty cash will be used primarily to purchase office supplies, snacks, etc. Petty cash will be kept in a lockbox that is locked in a cabinet. Keys to the cash box and cabinet will be kept by authorized staff.

Procedures:

- Staff will be given \$50 to be kept in a locked cabinet in the Agency office.
- When cash is used, a record must be entered in the individual's petty cash spreadsheet. Receipts for all purchases are kept in the lock box.

- When cash is low, staff will submit a request to the Board for a check in the amount needed to bring petty cash back to \$50.00. A printout of the tracking spreadsheet and all receipts must be attached to the request.
- A check will be issued in the requested amount to bring petty cash back to \$50. It is staff's responsibility to cash the check and keep track of funds in the box.

Expense Reimbursements

Travel Expenses

Policy: Agency related travel expenses will be submitted for review and potential reimbursement within state law allowances.

Procedures:

- A request for travel expenses, with all receipts, is to be submitted on an approved request form.
- The Board of Directors approves or denies the request.

5- ACCOUNTING PROCEDURES

This section covers basic accounting procedures for the Agency. Except as specifically described below, the accounting procedures used by the Agency shall conform to Generally Accepted Accounting Principles (GASB) to ensure accuracy of information and compliance with external standards.

Basis of Accounting

Policy: The Agency uses the cash basis of accounting. The cash basis is the method of accounting whereby revenue and expenses are identified with the date received or paid, and are recorded as of that specific date. This method of recording revenue and expenses is with regard to date of receipt or payment of cash.

Procedures:

- Throughout the fiscal year, expenses are recorded into the month in which they are incurred. The books are closed no later than the last day of the following month. Invoices received after closing the books will be counted as a current-month expense.
- All expenses are recorded into the fiscal year received. Year-end books are closed no later than 90 days after the end of the fiscal year.
- Revenue is always recorded in the month in which it is received.

Journal Entries

Policy: The creation and approval of the general ledger journal entries is the responsibility of TURA Staff. Journal entries are created manually. Manual journal entries are entered directly into the Agency accounting program.

Procedures:

- Journal entry transactions are input by staff for the purpose of posting accounting transactions or adjusting previously recorded general ledger transactions.
- Journal entries are reviewed by the City Finance Officer on a monthly basis.
- The AGENCY will reconcile debt activity with the trial balance on a semi-annual basis in order to ensure debt activity is recorded accurately. This reconciliation can be performed by the City Financial Officer or by an outside accountant.

Bank Reconciliations

Policy: All bank statements will be opened and reviewed in a timely manner. Bank reconciliation and approval will occur within 30 days of the close of the month.

Procedures:

- All bank statements will be opened, date stamped, initialed, and reviewed by Staff upon receipt.
- Once reviewed, bank statements are reconciled.
- The City Financial Officer will review and approve reconciliation reports by signing and dating the report on a monthly basis.

6 – INTERNAL CONTROLS

The Agency employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed, and recorded.

Agency Staff Authority

Policy: The TURA Administrator and City Financial Officer oversee the fiscal operations completed by staff on a monthly basis. Only staff authorized by TURA has access to Agency bookkeeping programs, reports, incoming mail, and all Agency business.

Procedure:

- Only designated staff and the Agency Administrator will handle Agency business and fiscal operations.
- Agency Administrator and Staff determine what business and fiscal transactions will require Board approval or consideration at monthly board meetings.

Lines of Authority

Policy: The Agency Board of Directors shall make all final determinations on financial policy, procedure, and expenditures. The TURA Administrator and staff will prepare all necessary financial information, including financial statements, checks, payments, cash receipts, and other financial transactions of the agency.

Procedures:

- The Agency Administrator and staff prepare any fiscal matters for Board review at the regular monthly board meeting.
- The Board of Directors reviews, approves, or denies all fiscal transactions or fiscal matters of the Agency.
- Authorization and approval of expenditures of money may be made only at a regular meeting or at a special meeting called for that purpose. No authorization or approval of expenditures of money may be made at a special meeting unless all board members of the Agency have been advised in advance that such authorizing action is intended to be taken or considered at said meeting.

Conflict of Interest

Policy: All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of a Board member conflict with the interests of the Agency. Both the fact and the appearance of a conflict of interest should be avoided.

Procedures:

- Elected or appointed Board members are required to comply with Oregon Revised Statute 244.32, which includes annual reporting to the Oregon Ethics Commission by April 15th of each year they are serving in a public capacity.
- Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or Board member will not be permitted to participate in the transaction or decision.
- Should there be any dispute as to whether a conflict of interest exists, the Board of Directors shall determine whether a conflict of interest exists for a Board Member and shall determine the appropriate response.

Segregation of Duties

Policy: The Agency's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the Agency's assets, while also considering efficiency of operations.

Procedures:

- Only Agency staff is authorized to handle fiscal transactions and business of the Agency.
- The City Financial Officer reviews the fiscal transactions on a monthly basis.
- The Agency Administrator oversees the Agency staff on a daily basis.

Physical Security

Policy: The Agency maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate, and other valuable property.

Procedures:

- Agency checks are kept in a locked drawer with only authorized staff having access.
- Agency bookkeeping records are kept in a separate program with only authorized staff having access to the program and records.
- All Trust Deed, Notes, Agreements, Contracts, and other legal documents are kept in a fireproof safe.