

# Council Communication

## August 16, 2016 Business Meeting

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### **A Resolution Accepting Changes to the Financial Management Policies and Accounting Methodologies and Repealing Resolution No. 2014-01**

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**FROM:**

Lee Tuneberg, Finance Director, [lee.tuneberg@ashland.or.us](mailto:lee.tuneberg@ashland.or.us)

**SUMMARY**

The City of Ashland has a set of written policies and procedures that apply to the fiscal activities of the City. They are incorporated in the budget document as Financial Management Policies and Accounting Methods. These documents require updating as changes to fiscal operations occur through internal decisions or external mandates. Council action will address many issues that have come to light in the last few years.

**BACKGROUND AND POLICY IMPLICATIONS:**

These documents were last formally reviewed by Council in January 2010, as part of the fiscal stability update. There were subsequent reviews and smaller changes as part of the budget processes, accounting standards changes and our move to a biennial budget.

In preparation for the BN 2017-2019 process these documents were reviewed with the Budget committee on May 12<sup>th</sup> of this year. There were a few suggested changes and corrections from Councilor Marsh at that time and these changes have been made. Approving these documents will address suggested changes proposed by the City auditor.

In the attached documents, existing language proposed to be struck is in red strike through. Proposed new language is in blue and underlined. Narrative or commentary information is in purple italics. Final changes from the May 12, 2016, meeting are in green.

This resolution is accompanied by:

1. a resolution that addresses required categorization of funds and their balances, updating compliance with Governmental Accounting Standards Board Statement #54; and
2. a resolution confirming minimum ending fund balances supporting fiscal stability for the city.

Please note that changes in the coming budget process (new funds or changes in operations of existing funds) could require further revisions; however, it is beneficial to take action at this time confirming what is known now and the work that has been done to date on these issues.



**COUNCIL GOALS SUPPORTED:**

**Administration and Governance Goal**

Provide high quality, effective, and efficient city services and governance in an accessible, collaborative, and fiscally responsible manner.

**FISCAL IMPLICATIONS:**

There is no direct fiscal impact with updating the policies. Changes in calculating a contingency or ending fund balance (minimum or target) is likely to impact the total budget as presented but should have a positive influence on operations over the long term.

**STAFF RECOMMENDATION AND REQUESTED ACTION:**

Staff recommends that Council approve the attached resolution.

**SUGGESTED MOTION:**

I move to approve the resolution titled, "A resolution accepting changes to the financial management policies and accounting methodologies and repealing Resolution No. 2014-01."

**ATTACHMENTS:**

Resolution  
Financial Management Policies  
Accounting Methodologies  
Resolution #2014-01  
Resolution #2011-17  
Resolution #2010-05



**RESOLUTION NO. 2016-**

**A RESOLUTION ACCEPTING CHANGES TO THE FINANCIAL  
MANAGEMENT POLICIES AND ACCOUNTING METHODOLOGIES  
AND REPEALING RESOLUTION NO. 2014-01**

**RECITALS:**

The City of Ashland prepares the budget and financial reports in keeping with generally accepted accounting principles (GAAP) as established by national and state guidelines. The Governmental Accounting Standards Board (GASB) is the primary organization that provides financial reporting requirements through their statements on accounting standards.

Preparation of these documents is supported by policies and guidelines established for consistency between years and compliance with over-sight authorities. Changes in laws and industry standards require updating of these policies on a regular basis. Updating policies also supports the annual audit and helps to provide comparability with peer agencies.

In order to keep internal policies consistent with GAAP and GASB requirements and with Oregon Budget Law;

**THE CITY OF ASHLAND RESOLVES AS FOLLOWS:**

SECTION 1. Council accepts the proposed changes to the Financial Management Policy

SECTION 2. Council accepts the proposed changes to the Accounting Methodologies

SECTION 3. Resolution No. 2014-01 is repealed effective with approval of this resolution.

This resolution was duly PASSED and ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2016, and takes effect upon signing by the Mayor.

\_\_\_\_\_  
Barbara Christensen, City Recorder

SIGNED and APPROVED this \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
John Stromberg, Mayor

Reviewed as to form:

\_\_\_\_\_  
David H. Lohman, City Attorney

# Financial Management Policies

The Financial Management Policies apply to fiscal activities of the City of Ashland and applicable component units.

*Policies were last approved by Resolution 2014-01 incorporating:*

- *Resolution 2010-05 establishing target ending fund balances, and*
- *Resolution 2011-17 implementing Governmental Accounting Standards Board Statement 54*

*They are being updated to support the 2017-2019 budget process and to reflect changes recommended or required by the Government Accounting Standards Board (GASB), Generally Accepted Accounting Principles (GAAP), Oregon Budget Law and audit requirements.*

## Objectives

The objectives of Ashland's financial policies are as follows:

1. To enhance the City Council's decision-making ability by providing accurate information on program and operating costs.
2. To employ revenue policies that prevent undue or unbalanced reliance on any one source, distribute the cost of municipal services fairly, and provide adequate funds to operate desired programs.
3. To provide and maintain essential public programs, services, facilities, utilities, infrastructure, and capital equipment.
4. To protect and enhance the City's credit rating.
5. To ensure the legal use of all City funds through efficient systems of financial security and internal control.

## Investments

All City funds shall be invested to provide—in order of importance—safety of principal, a sufficient level of liquidity to meet cash flow needs, and the maximum yield possible. All idle cash will be continuously invested.

## Accounting

1. The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Oregon Local Budget Law.
2. The City will issue a Comprehensive Annual Financial Report each fiscal year. The Comprehensive Annual Financial Report will show fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.
3. An independent annual audit will be performed by a certified public accounting firm licensed to perform municipal audits. The auditor will issue an official opinion on the annual financial statements and will issue a management letter, as needed or required, detailing areas that need improvement.
4. Full disclosure will be provided in financial statements and bond representations.
5. The accounting systems will be maintained to monitor expenditures and revenues on a monthly basis with thorough analysis and adjustment of the biennium budget as appropriate.
6. The accounting system will provide monthly information about cash position and

investment performance.

7. Annually, the City will submit documentation to obtain the Certificate of Achievement for Excellence in financial reporting from the Government Finance Officers Association (GFOA).

## **Operating Budgetary Policies**

1. The budget committee will be appointed in conformance with state statutes. The budget committee's chief purpose is to review the City Administrator's (budget officer's) proposed budget and approve a budget and maximum tax levy for City council consideration. The budget committee may consider and make **develop** recommendations on other financial issues to **as-delegated-by** the City council.
2. The City will finance all current expenditures with current revenues. The City will avoid budgetary practices that balance current expenditures through the obligation of future resources.
3. The City budget will support City council goals and priorities and the long-range needs of the community.
4. In contrast to the line-item budget that focuses exclusively on items to be purchased (such as supplies and equipment), the City will use a program/objectives format that is designed to:
  - a. Structure budget choices and information in terms of programs and their related work activities,
  - b. Provide information on what each program is committed to accomplish in long-term goals and in short-term objectives, and
  - c. Measure the degree of achievement of program objectives (performance measures).
5. The City will include multi-year projections in the budget document.
6. To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes and with generally accepted accounting principles.
7. The City will allocate direct and administrative costs to each fund based upon the cost of providing these services. The City will recalculate the cost of administrative services regularly to identify the impact of inflation and other cost increases.
8. The City will submit documentation for each adopted budget to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association.

## **Fund Balance and Operational Policies**

The City has established minimum ending fund balances in most funds by resolution. Establishing and adhering to these policies are an integral part of maintaining the City's fiscal stability and credit rating. The current resolution is 2014-01. From time to time the City will update the resolution as needed.

By resolution 2011-17 the City standardized presentations of funds and fund balances consistent with GASB Statement 54. From time to time the City will update the resolution as needed.

The governing body has approved the following order of spending regarding fund balance categories: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When restricted resources are spent, the order of spending is: committed (if applicable), assigned (if applicable) and unassigned.

## General Fund

~~The General Fund accounts for all financial resources not accounted for in other funds. Resources include working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for Social Services, Economic and Cultural Development, Police Department, Municipal Court Department, Fire and Rescue Department, City Band, Cemeteries, and the Department of Community Development and payments for services provided by other funds. This fund uses the modified accrual method of accounting.~~

The General Fund accounts for all financial resources: working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, inter-fund transfers and others as appropriate. = resources except those accounted for in another fund.

Expenditures are for Administration, Social Services, Economic and Cultural Development, Police Department, Municipal Court Department, Fire and Rescue Department, City Band, Cemeteries, Community Development and others as required.

- The General Fund will maintain an unrestricted and undesignated balance of annual revenue of at least **12 percent**. This is considered the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.
- ~~This fund uses the modified accrual method of accounting.~~

## Special Revenue Funds

Special revenue funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

- ~~Special Revenue funds account for transactions using the modified accrual method of accounting.~~

**Reserve Fund.** This fund is used to set aside funds to protect services, to stabilize the budget, and to meet any costs that may arise in the future from unexpected events as established by resolution 2010-18. Because no ongoing revenue stream has been established for this fund it is reported as a part of the General Fund for financial reporting.

- There is no minimum fund balance identified.
- This fund ends or must be renewed by June, 2022, per Oregon Budget Law.

**Community Development Block Grant Fund.** This fund was established in 1994-95. The fund accounts for the Block Grant and related expenditures.

- ~~A fund balance policy is not needed since this fund works on a reimbursement basis.~~
- A minimum operating fund balance is not needed since this fund works on a reimbursement basis. Any ending fund balance is restricted.

- [The City may budget a contingency appropriation to provide for unanticipated non-recurring expenditures or shortfalls in projected revenues but it is not required.](#)

**Street Fund.** Revenues are from the state road tax, grants, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets, as well as the maintenance, repair and construction of storm drains.

- The Street Fund will maintain an ending fund balance of annual operating revenue of at least 15 percent. This is the minimum needed to maintain the City’s credit worthiness and to adequately provide for economic uncertainties and cash flow needs. This balance is committed.
- Gas tax balances are restricted.
- The System Development Charges for Transportation and Storm Drains are included in the Street Fund balance. This portion of the Street Fund balance is restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Airport Fund.** Revenues are from airport leases, fuel sales [and grants.](#) Expenditures are for airport operations [and improvements.](#)

- The Airport Fund will maintain an ~~unrestricted and undesignated~~ ending balance of annual revenue of at least 10 percent. This is the minimum needed to maintain the city’s credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- ~~No portion of the Airport fund balance is restricted for specific uses.~~
- [All of the Airport ending fund balance is restricted due to the acceptance of federal grants.](#)
- Many of the airport assets have restrictions placed on them by the Federal Aviation Administration. None of the current revenues are pledged to outside lenders.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## Capital Projects Funds

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds, Internal Service Funds, Special Assessment Funds and Trust Funds).

- ~~Capital projects funds use the modified accrual method of accounting.~~

**Capital Improvements Fund.** This fund accounts for revenues from grants, unbonded assessment payments, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short-term borrowing and unbonded assessments. Expenditures are for construction, property and equipment acquisition and replacement, improvements and related purposes including facility maintenance, and the repayment of short-term debt principal and interest incurred in financing improvements.

- The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum fund balance requirement but a \$500,000 goal for operational purposes has been identified.
- Food & Beverage Tax proceeds committed to the parks system are receipted in this fund and transferred to the Parks CIP Fund as needed. This portion of the Capital Improvements fund balance is committed by voter approval and shall not be used in determining the minimum fund balance.
- The System Development Charges (SDCs) for the parks system are included in the Capital Improvement fund balance. This portion of the Capital Improvements fund balance is legally restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

### Debt Service Fund

- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- The ending fund balance goal is to have an amount equal to one year's payments on hand.
- All of the monies within the Debt Service fund are restricted for debt service until the specific debt is repaid in full. Oregon Revised Statutes prohibit cities from borrowing this money for any other purpose.
- All bond issues and notes are separated in the accounting system.
- ~~Expenditures and revenues are accounted for using the modified accrual method of accounting.~~

### Enterprise Funds

Enterprise funds account for the following operations: (a) those that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

- ~~Enterprise funds use full accrual basis of accounting for financial statement presentations. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.~~

**Water Fund.** This fund accounts for water operations. Revenues are from sales of water, other charges for services, and miscellaneous sources. Expenditures are for operations, franchise tax, conservation programs, capital construction, and retirement of debt.

- The Water Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 20 percent in addition to any amounts held for repayment of debt. This is the minimum needed to maintain the City's credit worthiness and to adequately



provide for economic uncertainties and cash flow needs.

- The Water System Development Charges and reserved debt service fund balances are included in the Water Fund balance. These portions of the Water Fund balance are restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Wastewater Fund.** This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, [franchise tax](#), capital construction, and retirement of debt.

- The Wastewater Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 15 percent in addition to any amount required by debt financing. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The Wastewater System Development Charges and reserved debt service fund balances are included in the Wastewater Fund balance. These portions of the Wastewater Fund balance are restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Electric Fund.** The Electric Fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental revenues. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, franchise tax, and related purposes.

- The Electric Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 12 percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Electric fund balance is restricted for specific uses.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Telecommunications Fund.** The Telecommunications Fund accounts for the revenues and expenditures of the Ashland Fiber Network.

- The Telecommunications Fund will maintain a minimum balance of at least 20 percent of annual revenue as was established in FY 2006-07.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditure. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## Internal Service Funds

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

- ~~Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.~~

**Central Services Fund.** This fund is divided into Administration, Information Technology, Administrative Services, City Recorder, and Public Works Administration/Engineering. Expenditures are for personnel, materials and services and capital outlay for these departments. These functions are funded ~~supported~~ by internal charges for services to ~~other service~~ benefitted departments and divisions and by some revenues to from the public.

- The Central Services Fund will maintain an unrestricted and undesignated balance of annual revenue of at least **3** percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Central Services fund balance is legally restricted for specific purposes.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Insurance Services Fund.** Revenues in this fund are from service charges to other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Insurance Services Fund will maintain an unrestricted and undesignated balance of **\$400,000 (1993 Dollars)** as recommended in the June 1993 Risk Financing Study. This balance will be increased annually by the Consumer Price Index (CPI) to account for inflation. (Calculated at 6/30/2016: take CPI-U 241.38 / 144.4 x \$440,000 = \$668,000). This is the minimum needed to maintain the City's insurance programs and provide for uninsured exposures.
- No portion of the Insurance Services Fund balance is legally restricted for specific uses.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Health Benefits Fund.** Revenues in this fund are primarily from service charges to other departments, investment income and interfund loans as needed. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Health Benefits Fund will maintain a balance of **\$500,000** as recommended for self-insurance programs.
- The Health Benefits Fund balance is legally restricted for the employee health benefits program.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3

percent of annual operating expenditures.

**Equipment Fund.** This fund is used to account for the maintenance and replacement of the City fleet of vehicles and specified equipment. Revenues are from equipment rental and replacement charges to other departments and divisions. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two divisions functions: equipment maintenance and equipment purchasing and acquisition replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment on a timely basis. This replacement schedule is updated annually.

- No minimum fund balance is recommended beyond the amount calculated to sufficiently fund equipment replacement; however, a \$200,000 goal for operational purposes should be considered.
- No portion of the Equipment fund balance is legally restricted for specific uses. The City has a policy of renting equipment at rates that include the replacement cost of the specific piece of equipment.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## Trust and Agency Funds

Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds.

**Cemetery Trust Fund.** The Cemetery Trust Fund is a non-expendable trust fund that accumulates revenue from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the cemetery fund for operations.

- ~~This fund uses the accrual basis of accounting.~~
- No minimum fund balance policy is recommended.

## Discrete Component Unit

### Parks (Blended Component Unit)

**Parks and Recreation Fund.** (Parks General Fund) Revenues are from charges for services and miscellaneous sources. Expenditures are for parks administrative, recreational, and golf course operations.

- A fund balance policy is not needed since this fund works on a reimbursement basis.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Parks Capital Improvements Fund.** (Capital Projects Fund) This fund is used to account for resources from grants, *payments for services*, and inter-fund transfers that are to be expended for

equipment purchases and major park renovations. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum fund balance.

***Parks Equipment Fund.*** (Parks Internal Service Fund) This fund is used to account for resources from grants, *payments for services*, and inter-fund transfers that are to be expended for equipment purchases and major park renovations. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum fund balance.

## **Revenues**

- The City will estimate its annual revenues by an objective, analytical process. Because most revenues are sensitive to conditions outside the City's control, estimates will be conservative.
- The City will make every effort to maintain a diversified and stable revenue base to protect its operation from short-term fluctuations in any one revenue source.
- With the exception of legally restricted portions of a fund balance, Council action equivalent to that taken to commit or assign fund balance can be done to remove the commitment or assignment.
- The City will establish charges for enterprise funds that fully support the total cost of the enterprise. Utility rates will be reviewed annually. Rates will be adjusted as needed to account for major changes in consumption and cost increases.
- The City will charge user fees to the direct beneficiaries of City services to recover some or all of the full cost of providing that service. All user fees will be reviewed biannually to insure that direct and overhead costs are recovered in the percentage approved by City Council.
- To the extent practicable, new development shall pay necessary fees to meet all identified costs associated with that development.
- The City will work aggressively to collect all delinquent accounts receivable. When necessary, collection procedures will include termination of service, submission to collection agencies, foreclosure, and other available legal remedies.

## **Expenditures**

- The City will provide employee compensation that is competitive with comparable public jurisdictions within the relative recruitment area.
- Estimated wage increases and changes in employee benefits will be included in the proposed budget under Personal Services.
- The City is committed to maintaining and improving the productivity of its staff by providing a proper working environment, adequate equipment and supplies, and appropriate training and supervision.
- A Social Service appropriation will be included in the proposed General Fund budget. This appropriation will increase or decrease relative to the overall General Fund revenues.
- An Economic, Cultural Development, Tourism and Sustainability appropriation will be included in the proposed General Fund budget. This appropriation will increase or decrease relative to the overall Transient Occupancy (Lodging) Tax Revenues.

## **Purchasing**

- The City will purchase materials, supplies, and equipment through a competitive process that provides the best product for the least cost.

## Capital

- The City will provide for adequate maintenance of equipment and capital assets. The City will make regular contributions to the Equipment Replacement Fund and the Facilities budget to ensure that monies will be available as needed to replace City vehicles and facilities.
- Future operating costs associated with new capital improvements will be projected and included in the long-term budget forecast.
- The City will determine and use the most appropriate method for financing all new capital projects.
- Special accounts dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.
- The Capital Improvement Plan will encourage a level capital replacement schedule.

## Debts

- The City will not use long-term borrowing to finance current operations.
- Capital projects, financed through bond proceeds, will be financed for a period not to exceed the useful life of the project.
- Whenever possible, enterprise debt will be self-supporting. Regardless of the type of debt issued, the City will establish a one-year reserve for all self-supporting debt [as required by any bond covenant](#).
- The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure its access to credit markets.
- The City will keep the final maturity of general obligation bonds at or below 20 years, with the exception of water supply and land acquisition that will be limited to 30 years.
- The City will maintain good communications with bond rating agencies about its financial condition.

## Risk Management

- The City will provide an active risk management program that reduces human suffering and protects City assets through [adequate internal controls](#), loss prevention, insurance, and self-insurance.

# Accounting Methods

## General Funds

This fund accounts for all financial resources except those accounted for in another fund. Resources include working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for [general service activities such as police, fire, municipal court and community development departments and programs](#) ~~Social Services, Economic and Cultural Development, Police Department, Municipal Court Division, Communications, Fire and Rescue Department, Community Development, Planning Division, Building Division, Cemetery and~~ other administrative programs as needed.

- This fund uses the modified accrual method of accounting.

## Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Special revenue funds account for transactions on the modified accrual method of accounting.

**Reserve Fund.** This fund is used to set aside funds to protect services and to stabilize the budget, and to meet any costs that may arise in the future from unexpected events as established by Resolution 2010-18.

**Community Development Block Grant Fund.** This fund was created in 1994-95. The fund accounts for the Block Grant and related expenditures.

**Street Fund.** Revenues are from the state road tax, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets, as well as maintenance and construction of the storm water runoff infrastructure.

**Airport Fund.** Revenues are from airport leases. Expenditures are for maintenance of airport facilities.

## Capital Projects Funds

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds, internal service funds, special assessment funds, and trust funds).

- Capital projects funds use the modified accrual method of accounting.

**Capital Improvements Fund.** This fund accounts for revenues from grants, non-bonded assessment payments, bond proceeds, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short-term borrowing and non-bonded assessments. Expenditures are for construction, property and equipment acquisition and

maintenance, improvements and related purposes, and the repayment of short-term debt principal and interest incurred in financing improvements.

### **Debt Service Fund**

The Debt Service Fund accounts for the accumulation of resources to be used for payment of the debt incurred for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, and trust funds).

- Expenditures and revenues are accounted for on the modified accrual method of accounting.

**Bancroft Bonds** revenues are from Bancroft (Local Improvement District) bonded assessments. These are expended for the retirement of local improvement district bonded debt principal and interest until such debts have been fulfilled.

**General Bonds** revenues are from property taxes that are expended for the retirement of general obligation debt principal and interest.

**Notes, Contracts, and Liens** revenues derived from operating transfers from other funds are used to repay long-term contracts that are not bonded.

### **Enterprise Funds**

Enterprise funds account for the following operations:

- (1) those that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or
  - (2) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.
- Enterprise funds use full accrual basis of accounting for financial statement presentations. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.

**Water Fund.** This fund accounts for water operations. Revenues are from sales of water and other charges for services, ~~as well as property taxes dedicated to the retirement of general obligation bonds~~. Expenditures are for operations, conservation programs, capital construction, and retirement of debt.

**Wastewater Fund.** This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, capital construction, and retirement of debt.

***Electric Fund.*** This fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental grants. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, and franchise tax.

***Telecommunications Fund.*** This fund accounts for telecommunications operations. Revenues are from cable TV, internet connections, and high-speed data. Expenses are for operations maintenance, capital construction, and debt service.

## **Internal Service Funds**

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

- Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

***Central Services.*** This fund is divided into the following Divisions: Elected Officials, Administration, Administrative Services, Legal, Customer Services, Accounting, Purchasing, Public Works Administration, Engineering, Maintenance, Computer Services, and the City Recorder. These Divisions fall under the umbrellas of the Administration, [Administrative Services](#) [Finance](#), Public Works, Telecommunications and the Electric Departments. These functions are supported by charges for services by all direct service divisions and departments.

***Insurance Services Fund.*** Revenues in this fund are from service charges to other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

***Health Benefits Fund.*** Revenues in this fund are from service charges to other funds, investment income, and internal loans. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

***Equipment Fund.*** This fund is used to account for the replacement and maintenance of the city's fleet of vehicles. Revenues are from equipment rental and replacement charges. Expenditures are for personal services, materials and services, and capital outlay.

## **Trust and Agency Funds**

Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds.



**Cemetery Trust Fund.** The Cemetery Trust Fund is a non-expendable trust fund. Revenues are from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the general fund for operations.

- This fund uses the accrual basis of accounting.

## **Discrete Component Unit**

### **Parks**

**Parks and Recreation Fund.** (Parks General Fund, [a special revenue fund to the City](#)) Revenues are from the parks and recreation charges for services, and miscellaneous sources. Expenditures are for parks and recreational purposes as well as department operations.

- This fund uses the modified accrual method of accounting.

~~**Ashland Youth Activities Serial Levy Fund.** (Special Revenue Fund) Revenues were from a three-year Ashland Youth Activities local option property tax levy. Expenditures were for community and youth activities and recreation. This fund closed to the Parks and Recreation fund as of July 1, 2013.~~

**Parks Capital Improvements Fund.** (Capital Projects Fund) This fund is used to account for resources from grants and inter-fund transfers that are to be expended for equipment purchases and major park renovations.

- This fund uses the modified accrual method of accounting.

**Parks Equipment Fund.** (Internal Service Fund) This fund is used to account for resources and payments from other Parks funds to be held and expended for equipment purchases.

- Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

**RESOLUTION NO. 2014-01**

**A RESOLUTION ACCEPTING CHANGES TO THE FINANCIAL  
MANAGEMENT POLICIES AND ACCOUNTING METHODOLOGIES**

**RECITALS:**

The City of Ashland prepares the budget and financial reports in keeping with generally accepted accounting principles (GAAP) as established by national and state guidelines. The Governmental Accounting Standards Board (GASB) is the primary organization that provides financial reporting requirements through their statements on accounting standards.

Preparation of these documents is supported by policies and guidelines established for consistency between years and compliance with oversight authorities. Changes in laws and industry standards require updating of these policies on a regular basis. Updating policies also supports the annual audit and helps to provide comparability with peer agencies.

In order to keep internal policies consistent with GAAP and GASB requirements and with Oregon Budget Law;

**THE CITY OF ASHLAND RESOLVES AS FOLLOWS:**

SECTION 1. Council accepts the proposed changes to the Financial Management Policy

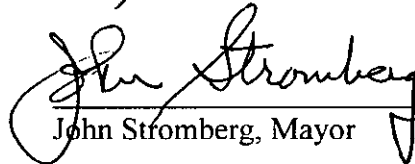
SECTION 2. Council accepts the proposed changes to the Accounting Methodologies

This resolution was duly PASSED and ADOPTED this 7 day of January, 2014, and takes effect upon signing by the Mayor.

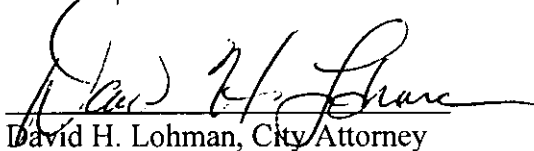


Barbara Christensen, City Recorder

SIGNED and APPROVED this 8 day of January, 2014.

  
John Stromberg, Mayor

Reviewed as to form:

  
David H. Lohman, City Attorney

# **Financial Management Policies**

The Financial Management Policies apply to fiscal activities of the City of Ashland.

## **Objectives**

The objectives of Ashland’s financial policies are as follows:

- To enhance the City Council’s decision-making ability by providing accurate information on program and operating costs.
- To employ revenue policies that prevent undue or unbalanced reliance on any one source, distribute the cost of municipal services fairly, and provide adequate funds to operate desired programs.
- To provide and maintain essential public programs, services, facilities, utilities, infrastructure, and capital equipment.
- To protect and enhance the City’s credit rating.
- To ensure the legal use of all City funds through efficient systems of financial security and internal control.

## **Investments**

All City funds shall be invested to provide—in order of importance—safety of principal, a sufficient level of liquidity to meet cash flow needs, and the maximum yield possible. One hundred percent of all idle cash will be continuously invested.

## **Accounting**

- The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Oregon Local Budget Law. The City will issue a Comprehensive Annual Financial Report (Audit report) each fiscal year. The Comprehensive Annual Financial Report shows fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.
- An independent annual audit will be performed by a certified public accounting firm that will issue an official opinion on the annual financial statements and a management letter as needed or required detailing areas that need improvement.
- Full disclosure will be provided in financial statements and bond representations.
- The accounting systems will be maintained to monitor expenditures and revenues on a monthly basis with thorough analysis and adjustment of the biennium budget as appropriate.
- The accounting system will provide monthly information about cash position and investment performance.
- Annually, the City will submit documentation to obtain the Certificate of Achievement for Excellence in financial reporting from the Government Finance Officers Association (GFOA).

## **Operating Budgetary Policies**

- The budget committee will be appointed in conformance with state statutes. The budget committee's chief purpose is to review the city administrator's (budget officer's) proposed budget and approve a budget and maximum tax levy for city council consideration. The budget committee may consider and develop recommendations on other financial issues as delegated by the city council.
- The City will finance all current expenditures with current revenues. The City will avoid budgetary practices that balance current expenditures through the obligation of future resources.
- The City budget will support city council goals and priorities and the long-range needs of the community.
- In contrast to the line-item budget that focuses exclusively on items to be purchased (such as supplies and equipment), the City will use a program/objectives format that is designed to:
  - 1) Structure budget choices and information in terms of programs and their related work activities,
  - 2) Provide information on what each program is committed to accomplish in long-term goals and in short-term objectives, and
  - 3) Measure the degree of achievement of program objectives (performance measures).
- The City will include multi-year projections in the budget document.
- To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes and with generally accepted accounting principles.
- The City will allocate direct and administrative costs to each fund based upon the cost of providing these services. The City will recalculate the cost of administrative services regularly to identify the impact of inflation and other cost increases.
- The City will submit documentation for each adopted budget to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association.

## **Fund Balance Policy**

### **General Fund**

The General Fund accounts for all financial resources not accounted for in other funds. Resources include working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for Social Services, Economic and Cultural Development, Police Department, Municipal Court Department, Fire and Rescue Department, City Band, Cemeteries, and the Department of Community Development and payments for services provided by other funds. This fund uses the modified accrual method of accounting.

- The General Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 12 percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The City will budget a contingency appropriation to provide for unanticipated no-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## **Special Revenue Funds**

Special Revenue funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes. Special Revenue funds account for transactions using the modified accrual method of accounting.

**Reserve Fund.** This fund is used to set aside funds to protect services and to stabilize the budget, and to meet any costs that may arise in the future from unexpected events. As established by Resolution 2010-18.

**Community Development Block Grant Fund.** This fund was established in 1994-95. The fund accounts for the Block Grant and related expenditures.

- A fund balance policy is not needed since this fund works on a reimbursement basis.

**Street Fund.** Revenues are from the state road tax, grants, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets, as well as the maintenance, repair and construction of storm drains.

- The Street Fund will maintain a committed balance of annual revenue of at least 15 percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The System Development Charges for Transportation and Storm Drains are included in the Street Fund balance. This portion of the Street Fund balance is restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature or. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Airport Fund.** Revenues are from airport leases, and fuel sales. Expenditures are for airport operations.

- The Airport Fund will maintain a committed balance of annual revenue of at least 10 percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Airport fund balance is restricted for specific uses.
- Many of the Airport assets have restrictions placed on them by the Federal Aviation Administration. None of the current revenues are pledged to outside lenders.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## **Capital Projects Funds**

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds, Internal Service Funds, Special Assessment Funds and Trust Funds). Capital projects funds use the modified accrual method of accounting.

**Capital Improvements Fund.** This fund accounts for revenues from grants, unbonded assessment payments, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short term borrowing and unbonded assessments. Expenditures are for construction, property and equipment

acquisition and replacement, improvements and related purposes including facility maintenance, and the repayment of short-term debt principal and interest incurred in financing improvements. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum fund balance.

- The System Development Charges (SDCs) for Parks are included in the Capital Improvement fund balance. This portion of the Capital Improvements fund balance is legally restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## **Debt Service Funds**

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Expenditures and revenues are accounted for using the modified accrual method of accounting. All bond issues and notes are separated in the accounting system.

- All of the monies within the Debt Service fund are restricted for Debt service until the specific debt is repaid in full. ORS prohibits cities from borrowing this money for any other purpose.

## **Enterprise Funds**

Enterprise funds account for the following operations: (a) those that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds use full accrual basis of accounting for financial statement presentations. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.

***Water Fund.*** This fund accounts for water operations. Revenues are from sales of water, other charges for services, and miscellaneous sources. Expenditures are for operations, conservation programs, capital construction, and retirement of debt.

- The Water Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 20 percent in addition to any amounts held for repayment of debt. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The Water System Development Charges and reserved debt service fund balances are included in the Water Fund balance. These portions of the Water Fund balance are restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

***Wastewater Fund.*** This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, capital construction, and retirement of debt.

- The Wastewater Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 15 percent in addition to any amount required by debt financing. This is the minimum needed to maintain

the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.

- The Wastewater System Development Charges and reserved debt service fund balances are included in the Wastewater Fund balance. These portions of the Wastewater Fund balance are restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Electric Fund.** The Electric Fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental revenues. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, franchise tax, and related purposes.

- The Electric Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 12 percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Electric Fund balance is restricted for specific uses.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Telecommunications Fund.** The Telecommunications Fund accounts for the revenues and expenditures of the Ashland Fiber Network.

- The Telecommunications Fund will maintain a minimum balance of 20 percent of annual revenue as was established in FY 2006-07.
- The city will budget a contingency appropriation to provide for unanticipated no-recurring expenditure. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## **Internal Service Funds**

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

**Central Services Fund.** This fund is divided into Administration, Information Technology, Administrative Services, City Recorder, and Public Works Administration/Engineering. Expenditures are for personnel, materials and services and capital outlay for these departments. These functions are supported by charges for services by direct service departments and divisions.

- The Central Services Fund will maintain an unrestricted and undesignated balance of annual revenue of at least 3 percent. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Central Services Fund balance is restricted for specific purposes.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Insurance Services Fund.** Revenues in this fund are from service charges from other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Insurance Services Fund will maintain an unrestricted and undesignated balance of \$400,000 as recommended in the June 1993 Risk Financing Study. This balance will be increased annually by the Consumer Price Index (CPI) to account for inflation. This is the minimum needed to maintain the City's insurance programs and provide for uninsured exposures.
- No portion of the Insurance Services Fund balance is legally restricted for specific uses.

The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Health Benefits Fund.** Revenues in this fund are primarily from service charges from other departments, investment income and interfund loans as needed. Expenditures are for insurance premiums, self insurance direct claims, and administration.

- The Health Benefits Fund will maintain a balance of \$500,000 as recommended for self insurance programs.
- The Health Benefits Fund balance is legally restricted for the employee health benefits program.

The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Equipment Fund.** This fund is used to account for the maintenance and replacement of the City fleet of vehicles and specified equipment. Revenues are from equipment rental and replacement charges. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two functions: equipment maintenance and equipment replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment. This replacement schedule is updated annually.

- No minimum fund balance is recommended beyond the amount calculated to sufficiently fund equipment replacement.
- No portion of the Equipment fund balance is legally restricted for specific uses. The City has a policy of renting equipment at rates that include the replacement cost of the specific piece of equipment.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## **Trust and Agency Funds**

Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds.

**Cemetery Trust Fund.** The Cemetery Trust Fund is a non-expendable trust fund that uses the accrual basis of accounting. Revenues are from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the cemetery fund for operations.

- No minimum fund balance policy is recommended.



## Discrete Components Unit

### Parks

***Parks and Recreation Fund.*** (Parks General Fund) Revenues are from charges for services, and miscellaneous sources. Expenditures are for parks, recreational, and golf course operations.

- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.
- A fund balance policy is not needed since this fund works on a reimbursement basis.

***Parks Capital Improvements Fund.*** (Capital Projects Fund) This fund is used to account for resources from grants, *payments for services*, and inter-fund transfers that are to be expended for equipment purchases and major park renovations. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum fund balance.

### Revenues

- The City will estimate its annual revenues by an objective, analytical process. Because most revenues are sensitive to conditions outside the City's control, estimates will be conservative.
- The City will make every effort to maintain a diversified and stable revenue base to protect its operation from short-term fluctuations in any one revenue source.
- With the exception of legally restricted portions of a fund balance, Council action equivalent to that taken to commit or assign fund balance can be done to unassign it.
- The City will establish charges for enterprise funds that fully support the total cost of the enterprise. Utility rates will be reviewed annually. Rates will be adjusted as needed to account for major changes in consumption and cost increases.
- The City will charge user fees to the direct beneficiaries of City services to recover some or all of the full cost of providing that service. All user fees will be reviewed biannually to insure that direct and overhead costs are recovered in the percentage approved by City Council.
- To the extent practicable, new development shall pay necessary fees to meet all identified costs associated with that development.
- The City will work aggressively to collect all delinquent accounts receivable. When necessary, collection procedures will include termination of service, submission to collection agencies, foreclosure, and other available legal remedies.

### Expenditures

- The City will provide employee compensation that is competitive with comparable public jurisdictions within the relative recruitment area.
- Estimated wage increases and changes in employee benefits will be included in the proposed budget under Personnel Services.
- The City is committed to maintaining and improving the productivity of its staff by providing a proper working environment, adequate equipment and supplies, and appropriate training and supervision.

- A Social Service appropriation will be included in the proposed General Fund Budget. This appropriation will increase or decrease relative to the overall General Fund revenues.
- An Economic, Cultural Development, Tourism and Sustainability appropriation will be included in the proposed General Fund Budget. This appropriation will increase or decrease relative to the overall Transient Occupancy Tax Revenues.

## **Purchasing**

- The City will purchase materials, supplies, and equipment through a competitive process that provides the best product for the least cost.

## **Capital**

- The City will provide for adequate maintenance of equipment and capital assets. The City will make regular contributions to the Equipment Replacement Fund and the City Facilities budget to ensure that monies will be available as needed to replace City vehicles and facilities.
- Future operating costs associated with new capital improvements will be projected and included in the long-term budget forecast.
- The City will determine and use the most appropriate method for financing all new capital projects.
- Special accounts dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.
- The Capital Improvement Plan will encourage a level capital replacement schedule.

## **Debts**

- The City will not use long-term borrowing to finance current operations.
- Capital projects, financed through bond proceeds, will be financed for a period not to exceed the useful life of the project.
- Whenever possible, enterprise debt will be self supporting. Regardless of the type of debt issued, the City will establish a one-year reserve for all self-supporting debt.
- The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure its access to credit markets.
- The City will keep the final maturity of general obligation bonds at or below 20 years, with the exception of water supply and land acquisition that will be limited to 30 years.
- The City will maintain good communications with bond rating agencies about its financial condition.

## **Risk Management**

- The City will provide an active risk management program that reduces human suffering and protects City assets through loss prevention, insurance, and self-insurance.

# Accounting Methods

## General Fund

This fund accounts for all financial resources except those accounted for in another fund. Resources include working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for Social Services, Economic and Cultural Development, Police Department, Municipal Court Division, Communications, Fire and Rescue Department, Community Development, Planning Division, Building Division, Cemetery and other administrative programs as needed. This fund uses the modified accrual method of accounting.

## Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for transactions on the modified accrual method of accounting.

**Reserve Fund.** This fund is used to set aside funds to protect services and to stabilize the budget, and to meet any costs that may arise in the future from unexpected events as established by Resolution 2010-18.

**Community Development Block Grant Fund.** This fund was created in 1994-95. The fund accounts for the Block Grant and related expenditures.

**Street Fund.** Revenues are from the state road tax, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets, as well as maintenance and construction of the storm water runoff infrastructure.

**Airport Fund.** Revenues are from airport leases. Expenditures are for maintenance of airport facilities.

## Capital Projects Fund

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds, internal service funds, special assessment funds, and trust funds). Capital projects funds use the modified accrual method of accounting.

**Capital Improvements Fund.** This fund accounts for revenues from grants, nonbonded assessment payments, bond proceeds, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short-term borrowing and non bonded assessments. Expenditures are for construction, property and equipment acquisition and maintenance, improvements and related purposes, and the repayment of short-term debt principal and interest incurred in financing improvements.

## Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources to be used for payment of the debt incurred for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, and trust funds). Expenditures and revenues are accounted for on the modified accrual method of accounting.

**Bancroft Bonds** revenues are from Bancroft (Local Improvement District) bonded assessments. These are expended for the retirement of local improvement district bonded debt principal and interest until such debts have been fulfilled.

**General Bonds** revenues are from property taxes that are expended for the retirement of general obligation debt principal and interest.

**Notes, Contracts, and Liens** revenues derived from operating transfers from other funds are used to repay long-term contracts that are not bonded.

## **Enterprise Funds**

Enterprise funds account for the following operations:

- (1) those that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- (2) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds use full accrual basis of accounting for financial statement presentations. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.

**Water Fund.** This fund accounts for water operations. Revenues are from sales of water, other charges for services, as well as property taxes dedicated to the retirement of general obligation bonds. Expenditures are for operations, conservation programs, capital construction, and retirement of debt.

**Wastewater Fund.** This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, capital construction, and retirement of debt.

**Electric Fund.** This fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental grants. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, and franchise tax.

**Telecommunications Fund.** This fund accounts for telecommunications operations. Revenues are from cable TV, Internet connections, and high-speed data. Expenses are for operations maintenance, capital construction, and debt service.

## **Internal Service Funds**

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

**Central Services.** This fund is divided into the following Divisions: Elected Officials, Administration, Administrative Services, Legal, Customer Services, Accounting, Purchasing, Public Works Administration, Engineering, Maintenance, Computer Services, and the City Recorder. These Divisions fall under the umbrellas of the Administration, Finance, Public Works, Telecommunications and the Electric Departments. These functions are supported by charges for services by all direct service divisions and departments.

**Insurance Services Fund.** Revenues in this fund are from service charges from other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

**Health Benefits Fund.** Revenues in this fund are from service charges primarily from other departments, investment income, and internal loans. Expenditures are for insurance premiums, self-insurance direct claims, and

administration.

**Equipment Fund.** This fund is used to account for the replacement and maintenance of the city's fleet of vehicles. Revenues are from equipment rental and replacement charges. Expenditures are for personal services, materials and services, and capital outlay.

## **Trust and Agency Funds**

Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds.

**Cemetery Trust Fund.** The Cemetery Trust Fund is a non-expendable trust fund that uses the accrual basis of accounting. Revenues are from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the general fund for operations.

## **Discrete Component Unit**

### **Parks**

**Parks and Recreation Fund.** (Parks General Fund) Revenues are from the parks and recreation charges for services, and miscellaneous sources. Expenditures are for parks and recreational purposes as well as department operations.

**Ashland Youth Activities Serial Levy Fund.** (Special Revenue Fund) Revenues were from a three-year Ashland Youth Activities local option property tax levy. Expenditures were for community and youth activities and recreation. This fund closed to the Parks and Recreation fund as of July 1, 2013.

**Parks Capital Improvements Fund.** (Capital Projects Fund) This fund is used to account for resources from grants and inter-fund transfers that are to be expended for equipment purchases and major park renovations.

*These funds use the modified accrual method of accounting*

**RESOLUTION NO. 2011-17**

**A RESOLUTION IMPLEMENTING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 54 - *Fund Balance Reporting and Governmental Fund Type Definitions***

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

The City of Ashland prepares financial reports in keeping with generally acceptable accounting principles (GAAP) as established by national and state guidelines. The Governmental Accounting Standards Board (GASB) is the primary organization that provides financial reporting requirements through their statements on accounting standards.

GASB has issued statement 54 that standardizes presentations of fund balances in governmental fund types to promote consistency and comparability between entities.

City of Ashland must adopt and implement GASBS 54 to be compliant with GAAP reporting for the FY 2011 in the comprehensive annual financial report.

SECTION 1. Council adopts the guidelines provided in GASBS 54 for accounting and reporting of governmental type funds effective with the fiscal year ending June 30, 2011.

SECTION 2. The existing funds and elements of fund balance that are thought to be subject to changes by this implementation include, but are not limited to:

<b>Agency</b>	<b>Funds</b>	<b>Component</b>	<b>Category</b>	<b>Comment</b>
City of Ashland	General	Asset Forfeiture	Restricted	Federal Money
		TOT Tourism (2/7)	Restricted	State Restriction
		TOT (5/7)	Committed	Council Resolution
		Parking Surcharge	Committed	Council Resolution
		Public Art	Committed	Council Resolution
		Fiscal Stability Study	Committed	Adoption of Budget
		Affordable Housing	Committed	Council Resolution
		Remaining Balance	Unassigned	
	Reserve	General balance	Unassigned	Treated Like General Fund until a policy is adopted
	CDBG	General balance	Restricted	Federal Money
	Street	Gas Tax	Restricted	State Restriction
		SDC's	Restricted	State Restriction
		Remaining Balance	Committed	

Agency	Funds	Component	Category	Comment
City of Ashland	Airport	General balance	Committed	
	Capital Improvement	System Development Charges	Restricted	State Restriction
		Food and Beverage	Committed	Voter Approval
		Remaining Balance	Committed	
Debt Service	General balance	Restricted	Debt service commitment	
	Cemetery Trust	General balance	Restricted	Perpetual care
Parks & Recreation	General Fund	General balance	Unassigned	
	Youth Activity Fund	General balance	Restricted	Voter Approval
	Capital Fund	General balance	Committed	

SECTION 3. New funds and new revenues identified after approval of this resolution shall be evaluated for consistency with GASBS 54 and will be accounted for and reported accordingly.

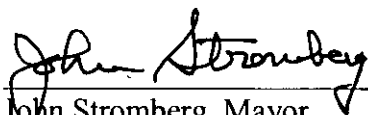
SECTION 4. Copies of this resolution shall be maintained in the Office of the City Recorder and shall be available for public inspection during regular business hours.

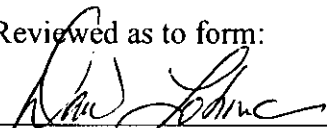
SECTION 5. This resolution takes effect upon signing by the Mayor.

This resolution was read by title only in accordance with Ashland Municipal Code §2.04.090 duly PASSED and ADOPTED this 7 day of June, 2011.

  
 Barbara Christensen, City Recorder

SIGNED and APPROVED this 8 day of June, 2011.

  
 John Stromberg, Mayor

Reviewed as to form:  
  
 David Lohman, City Attorney

## RESOLUTION NO. 2010-05

### A RESOLUTION ESTABLISHING TARGET ENDING FUND BALANCES

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

The City of Ashland currently has Ending Fund Balance (EFB) targets established in the accepted Financial Management Policies incorporated within the budget document. These EFB targets are a primary tool in assuring financial viability to the City and aids in flexibility. When percentages are provided they represent a calculation on annual operating revenue and the dollar figure is an estimated amount. When no percentage is given, only a dollar figure, the amount shown is the minimum target. No target is established for a fund when no amount or percentage is given.

SECTION 1. Council adopts the following targets in either a percentage or dollar format as provided below.

SECTION 2. The percentages or dollars presented will be adjusted annually in the budget process.

#### City of Ashland Fund Balance Worksheet

<u>Fund</u>	<u>FY 2011 Proposed EFB Target</u>	<u>%</u>
General	\$ 1,722,000	12%
CDBG	-	N/A
Reserve	-	N/A
Street	450,000	15%
Airport	10,000	10%
CIP	500,000	N/A
Debt - restricted	2,400,000	N/A
Water	900,000	20%
Wastewater	750,000	15%
Electric	1,488,950	12%
Telecommunications	372,000	20%
Central Services	174,000	3%
Insurance Services	1,000,000	N/A
Equipment	1,600,000	N/A
Cemetery Trust		N/A
Subtotal	<u>\$ 11,366,950</u>	
Parks & Recreation	\$ 1,230,000	25%
CIP	-	N/A
YAL	-	N/A
Subtotal	<u>\$ 1,230,000</u>	
TOTAL	<u>\$ 12,596,950</u>	



SECTION 3. Annual Operating Contingencies will be calculated on operating appropriations in the 3% to 5% range as recommended by staff and approved by the Citizen Budget Committee

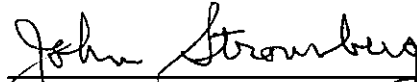
SECTION 4. Copies of this resolution shall be maintained in the Office of the City Recorder and shall be available for public inspection during regular business hours.

SECTION 5. This resolution was duly PASSED and ADOPTED this 8 day of February, 2010.

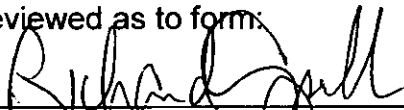


Barbara Christensen, City Recorder

SIGNED and APPROVED this 9 day of February, 2010.

  
John Stromberg, Mayor

Reviewed as to form:



Richard Appicello, City Attorney