



Deschutes County Administrative Policy No. F-14

Original Adoption: December 15, 2014

Revised Adoption: January 24, 2024

General Financial Policies

STATEMENT OF POLICY

Deschutes County has an important responsibility to its residents to carefully account for public funds, manage municipal finances wisely, manage growth, and plan adequate funding of services desired by the public, including the provision and maintenance of public facilities. Deschutes County ensures that it is capable of adequately funding and providing County services needed by the community on a sustainable basis.

The following Financial policies establish guidelines for the fiscal stability of the County. The scope of these policies includes accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, expenditure control, asset management, cash and investment management, and planning concepts, to:

- Demonstrate to the residents of Deschutes County, the investment community, and bond rating agencies that the County is committed to maintaining strong fiscal operations and the financial stability to navigate through economic downturns and respond to the changing needs of the community;
- Provide an adequate financial base to sustain a sufficient level of County services to the community delivered in an efficient and cost effective manner;
- Present fairly and with full disclosure the financial position and results of financial operations of the County in conformity to Generally Accepted Accounting Principles (GAAP); and
- Determine and demonstrate compliance with finance-related legal and contractual requirements in accordance with provisions of the Oregon Revised Statutes and other pertinent legal documents and mandates.

APPLICABILITY

This policy applies to all financial operations of Deschutes County and all other entities governed by the Deschutes County Board of County Commissioners (Board).

POLICY AND PROCEDURES

1. Financial Planning Policies

a) Budget Process

The County budget process will conform to existing state and local regulations including local budget law. The process will be coordinated so that major policy issues and Board goals and objectives are identified and incorporated into the budget.

b) Balanced Budget

Deschutes County's accounting and budgeting systems are organized and operated on a fund basis. The budget for each fund is balanced, meaning total resources, consisting of beginning net working capital, current year revenues and transfers-in, are equal to total requirements and transfers out, contingencies, unappropriated ending fund balances, and reserves for future expenditures.

c) Budget Adjustments

All requests for budget changes after adoption will be submitted to the Budget Office for analysis. The Budget Office will determine the need for the adjustment and the process to be followed to seek approval for the requested change. All resolutions proposing adjustments to the adopted budget will be prepared by the Budget Office and will be placed on the Board's agenda by the Budget Office for Board approval to ensure compliance with budget laws.

d) GFOA Award Programs

The County participates in the Government Finance Officers Association (GFOA) award programs that recognize excellence in government finance. The County will continue to submit annually to the following programs:

- Distinguished Budget Presentation Awards Program
- Certification of Achievement for Excellence in Financial Reporting Program
- Popular Annual Financial Reporting Awards Program

e) Financial Reporting Policy

The County's accounting systems and financial reports will be in conformance with all state and federal laws, GAAP and standards of the Governmental Accounting Standards Board (GASB) and the GFOA. An annual audit will be performed by a licensed municipal auditor from an independent public accounting firm with an audit opinion to be included with the County's published Annual Comprehensive Financial Report (ACFR). The financial report shall be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, thoroughly disclose sufficient detail, and minimize ambiguities and potentials for misleading inference. The County's ACFR will be provided to the Municipal Securities Rulemaking Board via electronic submission to the Electronic Municipal Rulemaking Board (EMMA), a continuing disclosure requirement, to enable investors to make informed decisions.

Financial systems will maintain internal controls to monitor revenues, expenditures, and program performance on an ongoing basis.

f) Budgeting for Operating Working Capital, Contingencies and Reserves

i) Operating Funds Contingency Amounts

To maintain a prudent level of financial resources to protect against the need to reduce service levels or raise taxes (i.e., voter-approved local option levy) and fees due to temporary revenue shortfalls or unforeseeable one-time expenditures, the County will establish and maintain certain working capital balances. The County will strive to maintain a working capital level in each operating fund, other than the General Fund, of eight and three tenths' percent (8.3%) of that fund's operating budget. The County will establish operations working capital within the General Fund of approximately four months of estimated annual property tax collections. Other funds that rely heavily on property taxes, which are not received until the month of November each year, should have an operating working capital level at or near the level of the General Fund, and include the Sheriff's Funds, 9-1-1, Extension/4-H, and the Sunriver and Black Butte Ranch County service districts. The Chief Financial Officer shall have the authority to allow exceptions to this policy for those funds with significant reserves and those that can demonstrate sufficient cash flow to avoid inter-fund borrowing prior to the receipt of tax revenues.

ii) Reserve and Insurance Funds

Certain reserve and insurance funds, due to their specific purposes, require reserve working capital balances above eight and three tenths' percent (8.3%). Working capital balances for those specific funds will be determined each year by the Chief Financial Officer and the department head given the unique needs of each fund and the anticipated use of such funds in future years.

The County shall annually contribute to certain capital reserve funds to the extent possible given cash flow limitations and projected capital improvements.

iii) General Fund Reserve

The County will establish and strive to maintain a General Fund reserve for the purposes of financial stability, continuation of core service levels, mitigation of economic downturns, response to extreme emergencies, and sustaining a favorable bond rating. The General Fund will maintain a minimum reserve balance of fifteen percent (15%) of anticipated property tax revenues. This reserve is in addition to contingency amounts.

The General Fund Reserve will have two components: emergency and financial stability.

- (1) Emergency Reserve - Twenty percent (20%) of the reserve will be dedicated to emergency funding. This guarantees the County has available funds to calamitous events affecting the provision of County services to the public. These would include natural disasters, civil disturbance, destruction of property, or other harmful and unforeseen events impacting the public.

Emergency Reserve funds may only be expended through a Board Order and only to support County operations during a crisis event.

- (2) Financial Stability – Eighty percent (80%) of the General Fund Reserve will be dedicated to financial and operational stability.

- (a) The Financial Stability Reserve may only be appropriated through a Board Order corresponding to a sustained economic downturn which negatively impacts the County's ability to provide critical services to the public. General guidelines for a local economic downturn may include one or more of the following:

- (i) Property tax assessed value growth at or below four percent (4%).
- (ii) Sustained, multi-year, increased consumer price index levels above four percent (4%) (CPI consistent with collective bargaining agreements contract language).
- (iii) Unemployment within Deschutes County is above eleven percent (11%) (FRED economic data).
- (iv) General Fund contingency below policy level of thirty-three percent (33%) of property taxes.
- (v) Threatening core service level reductions due to protracted economic factors.

Should the General Fund reserve fall below fifteen percent (15%) of anticipated property tax revenues, the reserve should be replenished as soon as the following fiscal year, and no longer than two fiscal years.

g) Long-Range Planning

Each year, the County will update resource and requirement forecasts for major operating funds, and other funds as needed, for the next five years and annually develop a five-year Capital Improvement Program (CIP) for major projects related to the acquisition, expansion or rehabilitation of the County's buildings, equipment, parks, streets, and other public infrastructure. These estimates will be presented to the Budget Committee in a format which is intended to facilitate budget decisions and strategic planning, based on a multi-year perspective.

h) Capital Assets

Deschutes County will perform an inventory of its capital assets to ensure all the County's capital assets are accounted for at least once every two fiscal years. This information will be used to plan for the ongoing financial commitments required to maximize the public's benefit including security of assets, insurance levels,

capitalization of capital costs for reporting purposes and asset replacement and obsolescence. The County will strive to fund minor capital improvements on a pay-as-you-go basis to enhance its financial condition and bond rating. Reference Capital Asset Policy F-04 for additional information.

2. Revenue Policies

a) Revenue Diversification

Revenue estimates will be established each year in a realistic and prudent manner using objective and analytical approaches. Revenue forecasts will assess the full spectrum of resources that can be allocated for public services. To the greater extent possible, the County's revenue system will be diversified as protection from short-run fluctuations in any one revenue source.

b) Fees and Charges

User fees and charges will be established for services that benefit specific individuals or organizations. The County will annually review all fees, licenses, permits, fines, and other miscellaneous charges in conjunction with the budget process. User fees and charges will be established based at a level related to the full cost of indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities. Other factors for fee or charge adjustments may also include the impact of inflation, other cost increases and current competitive rates.

c) Use of One-Time Revenues

One-time revenues or resources shall not be used to fund ongoing operations, unless in the context of a multi-year financial plan to balance expenditures and reserves. One-time revenues should not support ongoing personnel and operating costs. Use of one-time revenues is appropriate for non-recurring capital outlay, debt retirement, contribution to capital reserves, and other non-recurring expenses.

d) Use of Unpredictable Revenues

Revenues of a limited or undefined term will generally be used for capital projects or one-time operating expenditures to ensure that no ongoing service programs are lost when such revenues are reduced or discontinued.

e) Grants

Grants are generally contributions from one government to another, usually for a specific purpose. Grants can be recorded in any type of fund and should be recorded in an existing fund whenever possible. Grants sometimes come with matching fund requirements. It is important that matching requirements are well understood before grants are accepted by the County to ensure that services being provided through grant funding are sustainable. It is also essential any staff hired to carry out grant funded services are hired subject to the amount and continuation of the grant funding.

f) Revenue Management

The County will not respond to long-term revenue shortfalls with deficit funding or borrowing to support ongoing operations. Once working capital balances have reached policy levels, expenses will be reduced to conform to long-term revenue forecasts and/or revenue increases will be considered.

3. Expenditure Policies

a) Debt Capacity, Issuance and Management

- i) The Chief Financial Officer is responsible to structure all debt issuances and oversees the ongoing management of all County debt including general obligations, lease purchase agreements, revenue bonds, full faith and credit bonds, promissory notes, equipment financing agreements and any other contractual arrangements that obligate the County to make future principal and interest payments.
- ii) No debt will be issued for which the County is not confident that a sufficient specifically identified revenue source is available for repayment. The Chief Financial Officer shall prepare an analysis of the source of repayment prior to issuance of any debt.
- iii) When issuing long-term debt, the County will ensure that debt is only incurred when necessary for capital improvements too large to be financed from current resources, the useful life of a financed improvement will exceed the life of the related debt, the benefits of financing exceed the cost of borrowing, and ensure that operating costs related to capital improvements are adequately considered before debt is issued.
- iv) The County will manage and administer its long-term debt in compliance with the restrictions and limitations of State law regarding bonded indebtedness for counties as outlined in the Oregon Revised Statutes. These statutory restrictions establish legal limitations on the level of limited tax and general obligation bonded debt which can be issued by the County (one percent (1%) and two percent (2%) of the real market value of all taxable property, respectively). The statutes outline the processes for public hearings, public notice, and bond elections, as well as provision for the issuance and sale of bonds and restrictions on the use of those bond proceeds.
- v) The County will not use long-term debt to fund current operations, to balance the budget, or to fund projects that can be funded from current resources. The County may use short-term debt or inter-fund loans as permitted by law to cover temporary cash flow needs resulting from a delay in grant proceeds or other revenues, and delay in the issuance of long-term debt. All bond issuances and promissory notes will be authorized by resolution of the Board.

- vi) The County will, through prudent financial management and budgeting practices, strive to maintain or enhance its Moody's credit ratings which is currently Aa1 for both full faith and credit debt and general obligation debt.
- vii) The County will ensure that adequate procedures are in place to meet the post-issuance obligations of borrowers, to report periodic financial information and to disclose certain events of interest to bond holders in a timely manner.

b) Operating/Capital Expenditure Accountability

The County will maintain an accounting system which provides internal budgetary controls. The County's budget documents shall be presented in a format that provides for logical comparison with prior fiscal periods whenever possible. Reports comparing actual revenues and expenditures to budget for the County's major operating funds shall be prepared monthly which will be distributed to the Board, County Administrator, Department Heads/Directors, and any interested parties.

c) Internal Service Funds

Internal service funds are used to account for services provided by one department to other departments on a cost-reimbursement basis. The goal of an internal service fund is to measure the full cost of providing services for the purpose of fully recovering that cost through fees or charges to user departments.

The County desires to maintain a prudent level of available financial resources to help protect users of the shared activities from service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses. A reasonable level of reserves in the Internal Service Funds may be accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

4. Cash Management Policies

a) Investments

County funds will be invested in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order. The County will conform to all state and local statutes governing the investment of public funds and to the County's investment policy. The County's investment policy shall be approved by the State of Oregon Short-Term Fund Board and adopted by the Board at least annually. Additionally, the County will have an Investment Advisory Committee to review the County's investment policy, its investments, and its investment strategy and philosophy. The Investment Advisory Committee will consist of financial experts who are residents of Deschutes County and will meet at a minimum twice each year.

b) Banking Services

The County will seek competitive bids for its banking services. Requests for

proposals will be comprehensive, covering all aspects of the County's banking requirements. The award to the successful bidder will be for a five-year period with two one-year extensions.

c) Annual Validation of County Bank Accounts

Each year a letter is to be mailed to all banking institutions operating within Deschutes County to validate that the only Deschutes County accounts, listing Deschutes County or a Deschutes County department as the owner of the account and utilizing the County's federal identification number, are those accounts that have been approved by the Board and request that each bank notify the Chief Financial Officer of any accounts in operation within their financial institutions that are not on the approved list.

The Chief Financial Officer is authorized to establish all bank accounts, determine and authorize signatories to those bank accounts, and to manage all banking and investment related services for the County.

d) Credit Cards

The Chief Financial Officer, in consultation with the County Administrator, is authorized to establish purchasing cards for County staff as requested.

e) Internal Controls and Performance Auditing Policies

Employees in the public sector are responsible to the taxpayers for how public resources are used and must perform their duties in compliance with law, policy, and established procedures. The following County activities are essential and are consistent with providing residents with an objective and independent appraisal of County government.

- Maintain an independent internal audit program to evaluate and report on the financial condition, the accuracy of financial record keeping, compliance with applicable laws, policies, guidelines and procedures, and efficiency and effectiveness of operations.
- Maintain a County Audit Committee comprised mostly of county residents to oversee audit services, both external and internal.
- In coordination with the Audit Committee, the County Internal Auditor and the County's external auditors shall periodically review internal controls in County departments and report findings to the Audit Committee regarding these reviews.
- At the direction of the Audit Committee, the County Internal Auditor shall conduct performance audits to ensure departments and agencies funded by the County are operating in an efficient and cost-effective manner.

5. Purchasing

All purchases of goods and services must comply with the County's purchasing policies, purchasing rules and procedures in accordance with state laws and regulations. Before the County purchases any major asset or undertakes any operating or capital arrangements that create fixed costs or ongoing operational expenses, the implications of such purchases will be fully determined for the current and future years.

Approved by the Deschutes County Board of Commissioners on _____.

Nick Lelack
County Administrator