

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON**

In the Matter of Adopting the Columbia County
Financial Management Policies and Investment Policy

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ORDER NO. 99-2002

WHEREAS, Columbia County does not have formal financial policies adopted; and

WHEREAS, it is advisable for the Board of County Commissioners to adopt such policies to act as a guide in the financial management of County fiscal affairs and in the investment of County funds; and

WHEREAS, the Columbia County Financial Management Policies and Investment Policy have been written to reflect appropriate and accountable fiscal management.

NOW, THEREFORE, IT IS HEREBY ORDERED that the Columbia County Financial Management Policies as shown in Exhibit "A" which is attached hereto and incorporated herein by this reference and Columbia County Investment Policy as shown in Exhibit "B" which is attached hereto and incorporated herein by this reference be adopted; and

IT IS HEREBY FURTHER ORDERED that the Columbia County Financial Management Policies and Investment Policy shall become effective December 1, 2002.

DATED this 27th day of November, 2002.

**BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON**

By: _____

Anthony Hyde, Chair

By: _____

Rita Bernhard, Commissioner

By: _____

Joe Corsiglia, Commissioner

Approved as to form

By: _____

Office of County Counsel

EXHIBIT "A"

Financial

Management

Policies

for
Columbia County,
Oregon

COLUMBIA COUNTY
Financial Management Policies
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GENERAL STATEMENT ON FINANCIAL MANAGEMENT

Columbia County will conduct its financial affairs according to Generally Accepted Accounting Practices (GAAP) as defined by the national Governmental Accounting Standards Board (GASB), except where those standards conflict with the Laws or Constitution of the State of Oregon.

These standards apply to all funds, trusts or special districts for which the County has fiduciary or operational responsibilities.

Columbia County and its employees will conduct the County's financial affairs with professionalism and candor befitting responsible democratic government. Employees are to remember that they are using public funds when conducting County business. Employees should receive no personal gain other than Board approved compensation and reimbursement for approved expenditures.

- To encourage public participation and understanding a reasonable number of proposed and approved budget documents will be available for public review at no cost.
- Proposed budget documents will be made available by the Department of Finance and Taxation.
- Adopted budget documents will be made available for reference through the public libraries located in the county, and for loan on a short-term basis from the Department of Finance and Taxation as outlined in the County's fee schedule.
- Adopted budget documents will be provided to the public by the Department of Finance and Taxation for the fee established by the Board of County Commissioners.

Within 30 days of the end of each fiscal quarter, the staff of the Department of Finance and Taxation will prepare a report to the Board of County Commissioners, to inform the Board on the state of the budget and the general financial condition of the County and the special districts for which it is responsible. These quarterly reports will include the information required by ORS 294.085 in July and January.

FINANCIAL ORGANIZATION

PURPOSE STATEMENT:

These policies are the County's guide to its financial and budgetary structure, its philosophy and its presentation to the public, Budget Committee and the Board of County Commissioners.

The County will establish new funds only by resolution of the Board of County Commissioners. Each resolution shall state the purpose of the fund, its basis of accounting, and the disposition of assets upon dissolution of the fund. Unless required by law or enabling resolution, all assets of dissolved funds shall be transferred to the General Fund. Elimination of funds shall be by order as required in ORS 294.475.

In accordance with GAAP, the County will minimize the number of active funds as feasible. Services will be classified within the appropriate department in the General Fund unless otherwise required by law or agreement.

The appropriation resolution shall adopt the annual budget in lump sum by fund by department.

The budget and finance structure shall provide for adequate segregation of programs or services financed in whole or part by dedicated revenues.

The County budget shall use the summary categories of General Revenue, Fees for Services and Designated for Specific Purpose for revenues; Personal Services, Materials & Services, Capital Outlay, Debt Service, Contingencies, and Other for expenditures. All accounts shall be assigned to the appropriate summary category through the chart of accounts.

The Department of Finance and Taxation shall establish and maintain a Chart of Accounts listing funds, departments, categories, and object codes. Specific account numbers shall be assigned only by Director of Finance and Taxation or designee in order to maintain consistency in the chart of accounts.

ACCOUNTING & AUDITING

PURPOSE STATEMENT:

Statements of internal accounting policy inform budget managers and the public of the standards on which the County operates.

The County will establish and maintain high standards of accounting practices. The accounting policies of Columbia County will conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments. Interim reports and records will be prepared and maintained on the budgetary basis prescribed by state law and will be adjusted to GAAP for financial reporting purposes.

The County will comply with Generally Accepted Accounting Principles and state laws in the development and use of cost accounting systems for operations and capital improvements cost reporting.

An independent public accounting firm will conduct an annual financial audit and will publicly issue its opinion. This firm shall be selected every five years on the basis of a competitive RFP process.

The County will maintain an accounting system which will record and report an inventory of all County owned fixed assets.

A fixed asset is defined as an item of tangible property of a more or less permanent nature. Only fixed assets of more than \$5,000 of value will be specifically tracked and reported for purposes of the annual audit. For property control purposes, County departments are encouraged to track property of lesser value in their departments.

Property acquired through tax foreclosure shall maintain its identity as such until its disposition by the County.

The County will maintain accounting records for all County service districts. All costs associated with maintaining such accounting records shall be charged to the districts.

BUDGET FORMATION & MANAGEMENT

PURPOSE STATEMENT:

These policies guide the development and execution of the annual budget and establish the framework for budget planning, presentation and financial reporting.

The County will annually adopt a balanced budget as required by state law. The budget will balance current operating expenditures with current operating revenues for all operating funds.

The Budget Officer shall prepare and maintain a three-year projected budget. This budget will be updated three times during the year; 1) at creation of a new fiscal year budget file by the Department of Finance and Taxation; 2) during the submission of requested budgets by departments; and 3) after adoption of the next fiscal year's budget.

The unrestricted portion of the General Fund beginning fund balance will be reserved or applied in the following order:

- 1) the amount determined necessary for unappropriated fund balance, (goal is four months of projected personnel expense)
- 2) the amount determined necessary for fund contingency (goal is five percent of general fund budget)
- 3) reserves to be held for a future year's expense (the goal to be determined by Board of County Commissioners),
- 4) capital outlays for real or personal property, or one time costs or projects.
- 5) to maintain current services if the next fiscal year's budget projection shows a short-term revenue reduction.

The beginning fund balance of any operating fund (other than the General Fund and the Forest, Parks and Recreation Fund) will be used to fund unappropriated fund balance, and contingency accounts. A beginning balance in excess of that necessary to cover unappropriated fund balance and contingency may be allocated to capital improvements, or one time capital or maintenance expenses not likely to recur in the subsequent fiscal year, or other expenditure deemed appropriate by the Board of County Commissioners.

The beginning fund balance of the Forest, Parks, and Recreation Fund may be used to fund current operating expenditures due to the cyclical nature of this fund's revenue generation (periodic cutting of managed timber lands).

The County General Fund receives revenues from the sale of timber on state lands. Annual receipts are subject to fluctuation due to economic, legal and environmental forces outside of the County's control. When there is reason to believe that reductions in anticipated revenues will be temporary, lasting no more than one fiscal year, the County may use the excess beginning balance, or reduce allocation to unappropriated fund balance to maintain existing services or programs through one fiscal year.

When the General Fund receives or is anticipated to receive in the coming fiscal year unrestricted revenues totaling \$50,000 or more, and this is a one time occurrence and highly unlikely to recur in the following fiscal year, the revenues will be allocated to the budget under the same policies as unrestricted beginning fund balance.

To meet the need for working capital from July 1 to approximately October 1 of each fiscal year the County will budget an unappropriated ending fund balance in the General Fund. The amount established annually will not be less than the difference between the expected expenditures to be paid and the anticipated revenues to be received during that time period. If the ending fund balance in any operating fund is reduced below that required amount, the Board of County Commissioners will adopt a plan to restore fund balance in the subsequent fiscal year.

A contingency account will be established in the General Fund; Road Fund; Forest, Parks, and Recreation Fund; and Fair Fund. A minimum of 1.5% of estimated operating revenues of each fund will be budgeted in these accounts each year. A contingency account shall be used only for expenditures which cannot be foreseen and planned in the budget because of the occurrence of some unusual or extraordinary event. [See OAR 150-294.352(8)]. Transfers from the contingency account must be authorized by resolution of the Board of County Commissioners. Contingency accounts may be established in other funds as necessary. The need for these accounts will be determined annually as a part of the budget process.

Each department head is responsible for the budget management of the funds and/or departments for which he/she has administrative responsibility. For some funds and/or departments without designated department heads, it may not be evident who has administrative responsibility. For those departments and/or funds, the following department heads have responsibility for budget management and expenditure approval:

- Veterans' Service Office - Board of County Commissioners
- County Dues - Board of County Commissioners
- Non-Departmental Payments - Director of Finance and Taxation
- Footpath Bicycle Trail Fund - Board of County Commissioners
- Direct Pass-Through Grant Fund - Director of Finance and Taxation
- Corrections Facility Construction Fund - Director of Finance and Taxation
- Capital Improvement and Replacement Reserve Fund - Dir. of Finance and Taxation
- Courthouse Security Fund - Director of Finance and Taxation, Court Administrator
- Information Technology - Director of Human Resources

BUDGET AMENDMENTS

PURPOSE STATEMENT:

These policies govern circumstances which require alteration of the budget during the fiscal year.

The Budget Officer shall be responsible for coordination, review, and execution of requests to amend the budget. Amendments to the budget will strictly comply with Oregon Local Budget Law. The Budget Officer shall be responsible for ensuring compliance, determining the appropriate procedure to be applied, and maintaining all necessary legal records and documents.

The appropriate department head is responsible for initiating corrective budget action through submission of a request for appropriation transfer or supplemental appropriation to the Budget Officer.

An appropriation transfer requires approval by the Board of County Commissioners at a regular public meeting only under the circumstances listed below. All other transfer requests will be processed after receipt and review by the Budget Officer. The Budget Officer will provide the Board of County Commissioners with a listing of all transfer actions.

- Transfer of appropriation from one appropriated department to another within the same fund.
- Transfer of appropriation from the General Fund to any other fund.
- Transfer of appropriation from a contingency account in any fund.
- Transfer of appropriation that will result in creation of a new function or service.
- Transfer of appropriation that will create new regular position(s) or increase FTE.

The Board of County Commissioners and/or the Budget Committee shall evaluate all budget requests based on the ability of the activities financed by these requests to further the stated goals of the County as outlined in the County's goals statement.

REVENUE
PURPOSE STATEMENT:

These policies provide guidance in the classification of revenues. They guide the pricing philosophy for County services.

The County will estimate revenues using objective, analytical methods, based on the best information available at the time of estimation.

A three year projection of all revenues will be maintained. This database will be updated three times during the year; 1) at creation of a new fiscal year budget file by the Department of Finance and Taxation ; 2) during the submission of requested budgets by departments; and 3) after the adoption of the next fiscal year's budget by the Board of County Commissioners.

All adjustments to fee schedules shall be adopted by the Board of County Commissioners with an order prepared by the requesting department. The order shall be reviewed and approved by County Counsel and the Director of Finance and Taxation for compliance with state laws and County ordinances and policies prior to presentation to the Board of County Commissioners.

Except for fees regulated by state law or rule, the County will set all fees at a rate calculated to achieve full below cost recovery of direct, indirect cost, and when appropriate, capital depreciation, except as provided below.

Departments will review fee schedules annually. Each department will report annually its findings and recommendations to the Board of County Commissioners as to the adequacy of the fees being charged. A fee may not be adjusted more than once in any 12 month period (ORS 203.115).

The Board of County Commissioners may establish fees at less than full cost recovery. The department shall determine the full cost of service. An order of the Board shall set the actual charge at a percentage of full cost. The order shall state the reason for the exception and the public purpose it serves.

When a fee is charged to the public for use or rental of County facilities an amount for capital depreciation will be included. The portion of the fee designated for capital replacement will be deposited in accounts separate from the operating budget and will be expended only for items contained in an approved capital improvement plan, equipment replacement schedule, or maintenance management program.

CAPITAL OUTLAY & CAPITAL IMPROVEMENTS

PURPOSE STATEMENT:

These policies will assist the County in the classification of capital outlays, accounting for fixed assets, and provide the basis for development of an annual Capital Improvement Plan.

The budget category of Capital Outlay shall be used to budget for purchases of equipment or improvements to real or personal property having a cost greater than \$5,000 and a useful life of more than two years, excluding normal maintenance parts purchased for existing equipment or property.

A capital improvement is defined as an improvement to real property which maintains or enhances the value of the asset.

The County will maintain its assets at a level adequate to protect capital investment and to minimize future maintenance or replacement costs.

The County will make all capital improvements in accordance with an adopted five (5) year plan for capital improvements and update it annually. The plan shall list in detail a three year funding plan which will be fully incorporated into County budget projections. The County will adopt an annual capital budget based on the multi-year Capital Improvement Plan.

The Board of County Commissioners will appoint a Capital Improvements Committee to develop the Capital Improvement Plan, and recommend changes to the Board as a part of the annual budget process. The Committee will include the Director of Finance and Taxation, Director of General Services, Director of Public Works, and others as deemed appropriate by the Board. The Committee will be responsible for developing process and procedures for project approval and management. The Committee will work with department heads who will be affected by the proposed project.

The Capital Improvement plan will include the following:

- a. The Capital Improvement Plan will detail by project all improvements to real property costing over \$5,000 during the period of the plan. Projects of a lesser dollar amount may be included in the plan at the discretion of the Board upon recommendation of the Capital Improvements Committee.
- b. Equipment with a single item or project value exceeding \$5,000 (\$50,000 for road and bridge projects) will be included in the Capital Improvement Plan. Examples of equipment to be included are vehicles, road machinery equipment, computer systems, office furnishings and equipment.

- c. The estimated cost and potential funding sources for each capital project will be in the Capital Improvement Plan.
- d. The County will integrate the Capital Improvement Plan with development of the operating budget. Future operating costs associated with capital improvements will be estimated and incorporated into operating budget forecasts.
- e. General Fund support of the Capital Improvement Plan will be determined annually during the budget process. Allocations will be consistent with policies on the use of fund balance, current revenues, and spending priorities as established by the Board of County Commissioners.
- f. It is the intent of the County that the full cost of a project, including direct and indirect costs, will be reported in the Capital Improvement Plan, and recorded in the County's accounting records.

The General Services Director will be responsible for managing all construction projects involving County facilities with the exception of road construction projects and park facility construction projects which will be the responsibility of the respective department head.

Departments will estimate annual cost for equipment replacement not included in the Capital Improvement Plan during the budget process and will estimate a level of future years equipment expenses in the projected budget years.

The Department of Finance and Taxation will recommend to the Board of County Commissioners the most efficient financing method(s) for all projects.

Construction of, or acquisition of capital improvement projects funded by inter-governmental or private foundation grants will not commence until formal written commitment of the grant funds is received by the County.

If a capital improvement project will be funded by donations or other fund-raising, 100% of the funds must be received before the construction commences or the capital asset is acquired. The Board may authorize the project to proceed when less than 100% of the funds have been received. Authorization will be in the form of an inter-fund loan (see Inter-fund loan policies). Terms of the loan will include the statement "the repayment of this loan is contingent upon the successful raising of private donations. There is a strong possibility that this loan will not be repaid in full."

DEBT

PURPOSE STATEMENT:

The County may use various forms of debt for working capital, or for financing equipment or capital improvements. These policies establish the basis on which the issuance of debt will be evaluated by the governing body and the public.

A policy of full and complete disclosure will be strictly maintained in all communications and interactions with financial institutions, and debt rating agencies.

The County will use long term debt to finance those desirable capital improvements which can not be financed from current operating revenues.

Debt scheduled to be retired with current operating revenues will be incurred only after including debt service payments and operating cost of improvements into budget projections. When borrowing working capital for operating funds, the County will repay all principal and interest within the fiscal year in which the obligation is incurred.

When leasing agreements are considered, the full principal and interest cost through maturity will be disclosed and included in projections of future fiscal capacity. A proposal to lease equipment will include a lease versus buy or lease versus lease/purchase analysis. A decision to lease will include these elements of analysis:

- The County is not likely to use the item after the lease period, or beyond the duration of a specific project.
- Acquisition through purchase could preclude the possibility of taking immediate advantage of near term technological progress.
- Acquisition is justified by a pressing necessity but there are not sufficient dollars available for outright purchase.
- Lease or lease/purchase is the least cost option based on life cycle costing principles, and costs of alternative financing methods.

The County will not schedule debt payments for a period longer than the expected useful life of the equipment or improvement to be purchased.

The County will keep the maturity of general obligation and revenue bond issues to 20 years or less.

For long term debt required to be reported in a debt service fund, in addition to the annual amount required for the payment of current principal and interest due, the County may maintain a reserve or unappropriated fund balance account in an amount equal to at least one and not more than two years worth of principal and interest payment. In the case of a new issue, this amount may be established over a period not to exceed 3 years.

Total outstanding debt of all kinds will not exceed 2% of the total County assessed value.

INTER-FUND TRANSFERS & LOANS

PURPOSE STATEMENT:

The management of inter-fund transactions influences the fiscal positions of the funds involved. These policies inform department heads and staff on what basis they can expect to receive resources from other funds. This will result in improved financial and project coordination and planning.

Budgeted resource transfers from the General Fund to operating funds will be disbursed on the basis of one-twelfth of the budgeted amount monthly, except where: 1) fiscal needs of the receiving fund require an accelerated schedule to meet cash needs or project schedules, or 2) the revenue is received by the General Fund in the form of a lump-sum distribution from an outside source (i.e. State Timber Revenue). Accelerated payments require the approval of the Director of Finance and Taxation who will consider the cash flow requirements of both funds before approving the accelerated payments.

Budgeted resource transfers to non-operating funds will be executed based on the needs of the receiving fund as required by projects to be funded. In general, transfers will occur as late as possible in the fiscal year.

In general and in order to manage General Fund cash flow, transfers from the General Fund will not be executed in the first three months of each fiscal year. Disbursements from a receiving fund and transfers into that fund will be coordinated to avoid fund deficits.

When a surplus remains after completion of a project in a capital improvement fund, the surplus will become part of fund balance. Unattached fund balance is available for allocation to another project in the same or following year. If the fund balance is not otherwise dedicated it is available for any purpose, including transfer to the General Fund or other fund as determined by the Board of County Commissioners and as allowed by Oregon Local Budget Law.

Inter-fund loans may be made, in accordance with state law, to address short term cash deficiencies or the purchase of goods. Inter-fund loans shall be repaid in full no later than the end of the fiscal year following the one in which the loan was authorized and executed. (See ORS 294.460).

A County fund which has interest credited to it shall pay interest on inter-fund loans at a rate reflecting current market rates for invested public funds, as determined by the Treasurer at the time of approval. Simple interest will be computed from the day of transfer to day of return.

When allowed by law, the County may loan funds to special districts and other qualified organizations. Interest shall be charged on the loan at a rate reflecting current market rates for invested public funds, as determined by the Treasurer at the time of approval, plus 2% for administration.

The County will exercise its prerogative to be a prudent investor. It will examine the financial capacity of organizations to repay a loan, secure collateral when appropriate, and carefully consider the public policy impact of any loan.

It is not the purpose of the County to compete with private institutions to loan money for public purposes. The County will only consider such loans when no other financial options are feasible, and the County has the financial capacity to provide funds without jeopardizing current or future service delivery.

Any loan agreement or resolution shall be approved at a regular public meeting of the Board of County Commissioners.

INTER-DEPARTMENTAL CHARGES FOR SERVICE

PURPOSE STATEMENT:

These policies clarify the financial relationship between departments when a service is performed by one for another. The policies also clarify the nature and extent of inter-fund charges for service.

It is the policy of the County to discourage billing for services between County organizational units. However cost allocation for indirect costs will be developed and included in the budget process based on prior year history and an allocation matrix. These indirect costs will be identified and charged to the organizational units so that full costs of maintaining the unit can be calculated. The allocation formula is to be applied across the board and no department will be excluded from the process. Exceptions to this policy are:

- a) Charges to the County Surveyor are governed by the agreement between the County and the Surveyor.
- b) Any other instance in which, by state law or county ordinance, the County is prohibited from allocating these charges.

When allowed, intra-organizational billing shall be itemized and submitted for payment in a timely manner within the fiscal year or within 30 days of the close of the fiscal year.

CONTRACTING FOR SERVICES

PURPOSE STATEMENT:

These policies guide decisions to contract for delivery of services. These standards will apply to all service delivery agreements whether with private vendors, the state, other local governments, private non-profits, or agencies established by inter-governmental agreement. The analysis required will apply when the County is grantor or recipient of a service contract.

The County will consider contracting for delivery of services, when it is cost effective and legally permissible to do so, based on an objective, thorough evaluation of all costs based on defined service standards. In evaluating the decision to contract for delivery of a service the County will:

- a) Thoroughly evaluate all County service costs based on a 3 to 5 year cost projection.
- b) Determine the cost and time required for contract administration and evaluation.
- c) Consider non-monetary issues such as the nature of the service, and relationships with other public and private entities.
- d) Define what capital or maintenance costs are avoided, and what the likely costs would be if the County had to resume providing the service.
- e) Determine if contracting for service delivery conforms with strategic goals, reduces duplication, or improves public access.
- f) Use contracting of services when required by state policy or law.

When the County is considering accepting new service responsibilities as a contractor it will:

- a) Define what capital or start up costs are necessary and whether the funding source will fund or allow these costs to be amortized.
- b) Determine all costs, direct and indirect, of providing the service and determine whether the funding source will fully support these costs.
- c) Determine in the current mix of services whether the new service compliments or enhances the County's mission and programs.
- d) Evaluate additional liabilities that will be assumed including personnel transfers, and what liabilities the County will incur should it cancel the contract, or the funding source is discontinued.

COMMUNITY & OUTSIDE AGENCY FUNDING

PURPOSE STATEMENT:

These policies form the basis for budgetary decision making and allocation of funds to organizations not a part of county government.

The County will consider contributing to organizations outside of County government which further the well being of communities and individuals through social, economic, educational and cultural programs and are in concert with the County strategic goals.

The County requires organizations to make funding requests during the normal county budget development process and will generally delay consideration of any request until that time.

The County will require disclosure of financial information about the sponsor organization, details and accomplishments about its programs and services, and the reasons for requesting County funding.

The County will require a written agreement with each organization receiving County funds. The agreement will define how County funds will be spent, reporting requirements, and adequately insure the County against liabilities. The County will reserve the right to decide what will be the appropriate form for an agreement. Consideration will include the amount of funds involved, the potential liability to the County, and nature of the organization receiving funds. At a minimum, an agreement shall refer to the intended use of the funds as expressed by the organization in the original request for funding.

The budget appropriations for the funds covered in this policy section shall be contained in the non-departmental budget.

Criteria to be used in the evaluation of funding requests include:

- a) Whether the funding leads to the goals established in the County's stated goals.
- b) Whether internal departments have received sufficient funding levels to further the goals of the County based on the County's stated goals.
- c) Whether the program or service duplicates or complements existing efforts either in the community, the County or other governmental unit.
- d) Whether the activity addresses a priority of the Board of County Commissioners.
- e) Whether the request addresses a newly identified community issue not currently addressed in the County stated goals.
- f) Will the County support leverage of other funds? Are other sources of support

committed?

- g) Whether the request requires funding outside of the normal budget process and the reasons.
- h) Whether it is a one time request and the source for continuing funding.
- i) Whether resources within the County budget are already being applied toward this purpose. If not, how will this request affect the ability to fund County operations.
- j) Whether the funding provides a resource which will be available to County programs.
- k) What type of performance measures should be applied to judge the effectiveness of the program if funded, and to judge the merit of future funding requests.

SERVICE DISTRICTS

PURPOSE STATEMENT:

The County has operational and fiduciary responsibility for certain service districts. These districts are separate municipal corporations which by law require the Board of County Commissioners to serve as the Governing Body. These policies govern the districts relationship with the County on financial and administrative matters.

The cost of operations of service districts shall be fully borne by the revenues of the district including compensation to the County for all administrative and indirect costs.

Unless otherwise determined by decision of the governing body all financial, supervisory and administrative functions will be provided through the County.

Service district budgets will be organized, prepared and amended under the same procedures applicable to the County budget and consistent with Oregon Local Budget Law.

Service district budgets will be appropriated by fund by category.

GRANT ADMINISTRATION

PURPOSE STATEMENT:

The County receives funds from a variety of public and private sources for specific purposes. These funds may be categorized as grants because they usually require plans and an application process preliminary to the award of funds, as well as periodic reporting of financial and program progress. These policies outline the responsibilities of County departments for grant application, management and reporting processes.

Each department shall notify the Board of County Commissioners and the Finance Director when it is applying for a new grant or renewal of a grant. Approval must be obtained from the Board of County Commissioners prior to submission of an application unless all of the following applicable conditions are met:

- The grant is for capital funds and the project is listed in the current adopted Capital Improvement Plan.
- There is no requirement or expectation of future County financial support.
- The revenues and expenditures for the activity the grant will fund is explicitly approved during the budget process.
- No personnel costs are involved.

Each department will determine if the grant it is seeking allows indirect costs, and if allowed, shall include the cost as a part of the grant application program budget. Departments shall provide the Department of Finance and Taxation with a copy of grant restrictions, if any, on indirect costs otherwise the departments will have to cover the indirect costs.

The recipient department is responsible for all aspects of grant administration, including reporting, file maintenance, and record keeping.

All financial reporting, requests for reimbursement and grantor audits shall be coordinated with the Department of Finance and Taxation. No financial reporting or requests for reimbursement or advance shall be sent to a grantor without prior review by the Department of Finance and Taxation. Departments will prepare requests for reimbursement or advances in sufficient time to avoid operating deficits in grant funded programs. Grants involving personnel shall utilize the Personnel Cost Form to ensure all applicable costs are included.

The Department of Finance and Taxation will expedite review of requests for advances or reimbursement in order to maximize income and reduce subsidizing grant funded services.

The County will prepare a cost allocation (indirect cost) plan every two years. Indirect costs identified will be allocated annually during the budget process.

INVESTMENTS

PURPOSE STATEMENT:

These policies outline the methodology for distributing income earned through investments, and general policies on investing public funds.

The County Treasurer is the designated custodial officer for funds for Columbia County as defined in ORS 294.004. Investment Policies shall incorporate the prudent investor rule, which states investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The County may commingle fund cash balances for investment purposes.

Interest earnings shall generally follow the funds which created the earnings unless doing so conflicts with state law, grant funding guidelines, or Generally Accepted Accounting Practices. Earnings from investments shall be credited to the interest earnings account in designated funds based on the periodic cash balance at the time earnings are available for distribution. The following exceptions and conditions will apply:

Generally, interest earnings will not be allocated by department or division within a single fund. Exceptions may be made when required by a dedicated funding source when balances on which the share of earnings are to be calculated can be clearly identified, and balances exist longer than 30 days.

Whenever a Fund or any other interest earning account grouping records a cash or budget deficit at the end of a reporting period, and the deficit resulted from operating practices fully under the control of the department or division, an operating interest expense shall be computed and charged by the Treasurer's Office.

BANKING SERVICES

PURPOSE STATEMENT:

Provide policy guidelines for County use and acquisition of banking services.

The County will attempt to maintain harmonious banking relationships with all commercial banks authorized to provide services to municipal corporations in accordance with ORS 295.155.

To secure necessary banking services the County should seek competitive quotations approximately every four years for all normal services (checking accounts, transfers and collections) except investments.

Investments should be open to general competition from all banks and financial institutions authorized to conduct business with the County by state law and the County's Investment Policy.

A

Account: Refers to the line item budget title and number. Also refers to an object of expenditure. Examples would be supplies or mileage.

Adopted Budget: The budget appropriations approved by the Board of Commissioners which becomes the budget of the county. (See Appropriations).

AOC: Association of Oregon Counties.

Approved Budget: This is the budget recommended by the Budget Committee for adoption by the Board of Commissioners. The BOC has limited authority to modify this budget. The BOC may not increase the appropriation of any fund more than 10% above that approved by the Budget Committee except through the process of passing a supplementary budget.

Appropriation: The legal limit of expenditures as adopted by action of the governing body for a particular level of the organization (the county's basis of appropriation is by fund, by department). To exceed an appropriation is illegal, a violation of state law for which members of the governing body can be personally liable. The level of appropriation can be adjusted during the fiscal year. (See Appropriation Transfer, and Supplemental Budget).

Appropriation Transfer: The transfer of all or part of an appropriation from one expenditure category to another. These transfers are approved by the Board of Commissioners before expenditure or over-expenditure occurs. With one exception, transfers cannot increase an appropriation. In certain cases a transfer from the General Fund to a special revenue fund can result in an increase of appropriation in the special revenue fund only [OAR 150-294-450-(3)-(4)]. A transfer cannot be made to create an appropriation level that did not previously exist.

Assessed Value: The value of real and personal property as determined by the County Assessor and used as the basis for levying taxes. Under provisions of Measure 50, assessed value for the 1997-98 tax year was set at 90 percent of the 1995-96 assessed value for each property in the state. The assessed value for each property is then allowed to grow a maximum of 3 percent per year, but cannot exceed the real market value of the property.

Assessment Date: January 1 preceding the fiscal year. This is the date the assessor uses to determine real market value each year.

Audit: As used here, the audit refers to the annual financial audit performed by an independent outside auditor at the end of each fiscal year as required by law.

B

Bancroft Bonds: The term commonly applies to bonds sold to finance Local Improvement District projects. The bonds are retired by annual assessments charged against the benefitting properties. This type of funding method is used to finance improvements to sidewalks, roads, water and sewer lines.

Bond levy: Amount of levies needed to pay principal and interest on district bonded debt.

BOC: Board of Commissioners.

Budget Committee: A committee required by Oregon Local Budget Law (ORS 294.305) which must recommend a budget for the county. The committee consists of the Board of Commissioners and an equal number of citizens. The citizen members of the committee (3) are appointed for staggered year terms.

Budget Manual: The document published in preparation for each budget year, outlining the County's budget policies, procedures, forms, and calendar.

Budget Document: The published summary of the budget prepared by the Budget Officer. The budget document is developed in three phases annually; at Budget Review (Requested), for the Budget Committee (Proposed), and after adoption (Adopted).

Budget Officer: The person designated by the Governing Body to be responsible for preparation of the budget and meeting legal deadlines. The designation is required by Oregon Local Budget Law (ORS 294.305).

C

Calendar Year: The year from January 1 to December 31. (See Fiscal Year).

Capital Improvement Plan (CIP): A multi-year plan which ranks and prioritizes capital improvement projects. The plan includes estimated costs and the year of anticipated construction, revenue sources and project description.

Capital Improvement: Construction, renovation, or reconstruction of real property.

Capital Outlay: A summary category showing expenditures for both real and personal property. Under county policy any purchase of any durable good in excess of \$5,000 in value and with a useful life of more than two years is to be budgeted and charged as capital outlay.

Category: In the county usage it defines a summary level. For instance, all line item expenses related to wages, salaries and benefits paid to or on behalf of employees are summarized in the category Personal Services. The categories used in the budget are Fees for Services, Unrestricted Revenue, Designated-Specific Purpose Revenues, Personal Services, Materials and Services, Capital Outlay, and Debt Service.

Chart of Accounts: A listing of established account numbers, descriptions, department, program and fund codes used in the financial accounting system.

CIP: See Capital Improvement Plan.

COLA: Cost of Living Allowance.

Contingency: State law allows each operating fund to have a contingency account. Government can use contingency only to pay for emergencies or expenses which could not reasonably be foreseen or planned during the budget process. Contingency funds not used become a resource for the following fiscal year.

Cost Allocation Plan: A document which shows the distribution of indirect costs and confirms the rates necessary to ensure recovery of overhead expenses from grants, special revenue funds or other operating entities. (See Indirect Cost).

Current Operating Expense: Expenses for personnel, goods or services which are a result of activities in the present fiscal year as opposed to a past or future year.

Current Operating Revenues: Revenues received as a result of activities in the present fiscal year as opposed to revenues which resulted from activities in a prior year (carry-over or beginning balance) or revenues to be received in a future fiscal year.

D

Direct Cost: Expenses which can be specifically identified and charged as a cost of providing a service. See also Indirect Cost.

Discretionary Revenue: Revenue available for any county governmental purpose in a fund. Includes property taxes and O&C Timber Revenue. Does not include revenue charged to cover the cost of providing a service (fees) or revenue which must be used for a specific purpose by law, grant, or contract.

E

Enterprise Fund: When a public agency operates a program on a self-paying basis, such as water or sewer or garbage collection, a separate accounting fund is established. In many cases, the fund is designed in much the same manner as a private enterprise.

F

Fees: Revenue generated by charges for services to individuals. (User Fees)

Fiscal Year: The budget year. In Oregon this is July 1 of each year to June 30 of the next. The Federal Fiscal Year is from October 1 to September 30. A fiscal year is often referred to by the last year of the fiscal year. Thus the fiscal year 2002-2003 may be simply referred to as fiscal year 2003 or as 03.

Fixed Assets: Property such as buildings, equipment, improvements other than buildings, and land.

FTE: Full Time Equivalent. All regular county positions are stated in whole FTE's or portions thereof. (i.e.,.50 FTE is equal to a person working half of the normal work hours in a fiscal year). Temporary Hire positions are not included in the FTE count. Separate personnel rules govern temporary employees, their hire and length of employment.

Fund: The traditional statutory device for government appropriations and for distinction between general purpose and special purpose appropriations. The fund is defined as a self-balancing set of accounts designed to carry out certain activities in accordance with certain restrictions or limitations. The county maintains funds for organizational purposes and to account for Special Revenue, Internal Service Funds, and trust revenue transfers. Some funds are required by law or ordinance.

Fund Transfer: A movement of resources as an expense of one fund to revenue in another fund. Transfers result in artificial inflation of the total budget, but provide a clearer picture of the true origins of revenue and expense.

G

GAAP: Generally Accepted Accounting Principles. A set of uniform national minimum standards and guidelines for financial accounting and reporting.

GASB 34: Refers to new financial statement reporting model required for governmental entities. This regulation was passed by the Governmental Accounting Standards Board (GASB) in June 1999. The key features of this new reporting model are infrastructure reporting, depreciation accounting, and conversion to accrual accounting.

Governing Body: The authority, commission, council, board, or directors responsible for governing a local government. When the Board of Commissioners serves as the head of special districts, they are referred to simply as the Governing Body of the

I

Indirect Cost: Costs which are incurred in the operation of organizations which cannot be identified specifically with a particular product or service. Formulas are used to allocate these costs to specific services. Also referred to as overhead or indirect expense. See also, Direct Expense, Cost Allocation Plan.

Internal Service Fund: A fund used to account for the financing of goods or services sold to departments, or governments on a cost-reimbursement basis.

L

Levy: The amount, in dollars and cents, or a tax rate, that a taxing district certifies to the Assessor to be spread (or levied) over the assessed value of property in that district.

Line Item: This is an accounting unit which generally shows the detail of expenditures. This level of classification is primarily for line managers, and is summarized to the next highest level of detail, the category in a department budget (See Account).

Local Option Levy: (see levy) A levy outside of the district's permanent tax rate, approved by voters at a fixed annual dollar amount or as a tax rate for a certain period of time for a specific purpose or purposes. Local option levies for operating purposes are limited to five years. Local option levies for capital purchases can be for up to ten years.

M

Materials and Services: A summary category showing all costs of expendable supplies, telephones, contracted services, etc.

Microfiche: Microfilm print. Many county financial and personnel reports are regularly written to magnetic tape from the computer and converted to microfilm.

N

Non-departmental: This area of the budget contains county contributions to a variety of agencies, associations, and other entities which receive county funds, but who are, for a number of reasons, independent or semi-independent of the regular county organization, or not identifiable with any regular county department. Also included in Non-departmental budgets are special revenue accounts such as Trusts or Historical Society.

O

OAR: Oregon Administrative Rules. Rules of various state agencies, details of program operation, purpose or criteria.

Object: See account.

ORS: Oregon Revised Statutes. The laws of the State of Oregon.

Oregon and California Land Grant(O&C Funds): Monies paid to 18 Oregon counties as a result of federal legislation following the default of the Oregon and California Railroad in the first part of this century. The money comes from the harvest of timber on certain Bureau of Land Management and U.S. Forest Service lands in Oregon. The money can be used for any County governmental purpose, for the most part. There are some restrictions on a small percentage of the funds.

Operating Fund: A designation used by the county for funds principally involved in daily delivery of programs and services to county residents. The designation of fund type is a part of the County Financial Policies.

Order: A formal action of the Board of Commissioners which is basically a form of administrative directive. (See also Resolution)

Ordinance: Laws which are applicable inside the jurisdiction of the local government.

Other: A summary category showing items such as inter-fund transactions, debt service payments, contingencies, etc.

P

Pass-through Funds: Revenue usually in the form of federal or state monies which is awarded to a governmental unit for statutory or administrative reasons. That unit of government then turns that money over to another organization, usually for specific purposes. The usual form is federal monies awarded to states which is then channeled to specific programs within a state.

Performance Area: A sub-unit of a department budget indicating groupings of like activities.

Departments/Divisions may have several performance areas, which in turn may have many specific performance objectives. Performance areas are also shown on budget summaries by Program or Department. These indicate major activity areas in each Program or Department. (See listing of account hierarchy in the introduction section of the annual Budget Document.)

Permanent Tax Rates: Since the passing of Measure 50 in 1997, a permanent rate has been established for each taxing district, expressed as a rate per thousand dollars of assessed value. This rate is the maximum rate a district may use without approval by voters; districts may use any rate below this maximum.

Personal Services: A summary category showing all costs of wages and benefits paid to or on behalf of employees of the county.

Projected Budget: The county's computerized financial system has the capacity to maintain up to three years of detailed projections of revenues and expenditures. The file is updated three times annually: during preparation of the budget requests for Budget Review, in preparation for Budget Committee hearings, and after budget adoption.

Proposed Budget: This is the budget submitted to the Budget Committee after Budget Review. (See also Budget Review)

R

Real Market Value: Minimum value a property will sell for as of the assessment date in an arms-length transaction.

Requested Budget: This is the budget consolidating all department requests. This document is the one considered during the Budget Review.

Resolution: An action of the governing body which has legal significance. Budget adoption and budget transfers are examples of actions which may be approved by resolution.

Reserve Fund: A fund established to accumulate revenues for use in a future year for a specific purpose.

Revenue Designated for Specific Purpose:

Revenue generated for a specific program or use. This revenue could be local taxes, state, or federal revenue, grants, or other funds which are restricted to specific uses by law, grant agreement or ordinance.

S

Supplemental Budget: In general, when revenue in excess of ten percent over budget estimates is received, a supplemental budget must be approved by the Board of Commissioners before it can be spent. An Attorney General’s opinion states that a supplemental budget cannot be used to spend revenues which could have been estimated and adopted in the regular budget. An increase in appropriation authority requires some form of publication and public hearing before the Board of Commissioners, and in certain cases the Budget Committee. A supplemental budget involving dedicated funds does not necessarily require a public hearing unless the aggregate increase in any fund is more than 10% of the beginning appropriation. The Budget Officer is charged with determining which of four methods provided in Oregon budget law to increase appropriations is required in each case.

T

Tax Rate: Determined by dividing the total assessed value of a district by the total tax levy approved for the district. The result is an amount, in dollars and cents, to be levied against each \$1,000 of taxable property value.

U

Unappropriated Fund Balance: Any fund may contain an account for unappropriated funds. Money given this designation cannot be spent for any reason in the fiscal year in which it is so designated. The purpose of this account is to reserve funds for use in a future fiscal year, or to provide working capital to meet operating expenses.

Unrestricted Funds and Taxes (Discretionary Revenue): Generally, revenue which may be used for any purpose regardless of source. In the county General Fund revenue so coded is available only for the purposes of the fund. (For example, the Chart of Accounts contains only one code for interest

earnings. This code is used regardless of whether the interest is dedicated. Dedication is a function of the location of the code in any fund other than the general fund.)

Urban renewal agency: Entity responsible for administering urban renewal programs. Urban renewal agencies can be organized by city or county governments. They oversee activities in urban renewal plan areas. An urban renewal agency can administer multiple plan areas.

Urban renewal special levy: Levy imposed by an urban renewal agency if the amount of revenue raised from excess value is below its revenue raising authority.

Urban renewal excess value: Total assessed value of property in urban renewal plan areas in excess of the base assessed values when the plan areas were established. Special levies can only be imposed for plan areas established prior to December 6, 1996.

V

Vendor: A provider of goods or services to the county.

COLUMBIA COUNTY

INVESTMENT POLICY AND PORTFOLIO GUIDELINES

SCOPE

This policy shall apply to all County funds as well as those funds invested or in trust with the County Treasurer.

Funds will be invested in compliance with the provisions of ORS 294.035 through 294.048, ORS 294.125 through 294.155, ORS 294.810, other applicable statutes, and the Investment Policy described herein.

The County Treasurer shall not serve as the custodian for the investment of funds on behalf of any other jurisdiction, agency, district or entity, except where required by statute. In such cases, the governing body of said other jurisdiction, agency, district or entity shall furnish to the County Treasurer a written order authorizing the Treasurer to invest the funds in conformance with this Investment Policy and further indemnifying and holding the County harmless from and against any and all claims, liabilities, demands, actions or damages incurred in connection with, or in any way relating to, such investments. Such order shall be spread upon the minutes or journal of the governing body.

DELEGATION OF AUTHORITY

The County Treasurer is the Portfolio Manager and, as such, is charged with the responsibility of having funds available to meet day-to-day demands while adhering to the rules set forth in this policy. The County Treasurer shall designate a deputy or the Finance Director to follow these guidelines in the absence of the Treasurer.

INVESTMENT OBJECTIVES

The primary objective of Columbia County's Investment Policy is the preservation of capital and the protection of investment principal. Investments shall be made first on the basis of legality, safety and liquidity, respectively, then on the rate of return, attempting to attain a market rate of return throughout budgetary and economic cycles.

The County's investment portfolio shall remain sufficiently liquid to meet its operating requirements. The need for investment liquidity will be tempered to the extent that the County is able to obtain short-term borrowing. Investments shall be diversified by type and financial institution in order that risks be minimized.

INTERNAL CONTROLS

Internal controls will be reviewed annually by the County's independent auditors. These controls are designed to prevent loss of public funds due to fraud, error, misrepresentation by third parties, or imprudent actions by employees or officers of the County.

INVESTMENT DIVERSIFICATION

The County will maintain a diversity of investments according to type and institution as follows:

DIVERSIFICATION BY INSTRUMENT

PERCENT OF PORTFOLIO

U.S. Treasury Bills, Notes and Bonds **100% Maximum**

Federal Agency Bonds and Discount Notes **100% Maximum**

Local Government Investment Pool **100% Maximum**

Time Certificates of Deposit (TCD's)
and all other interest-bearing accounts: 2

Commercial Banks (FDIC Insured)
Over \$100,000 **\$100,000**
60% Maximum

Savings & Loan (FSLIC Insured)
Over \$100,000 **\$100,000**
10% Maximum

- a) Investments and deposits with Oregon Financial institutions having total institutional deposits of less than \$2,000,000 shall be limited at all times to the FDIC or FSLIC Deposit Insurance limits of \$100,000.
- b) Investments and deposits with Oregon Financial institutions having total institutional deposits exceeding \$2,000,000, shall be secured by collateral certificates as required by ORS 295, to the extent that the amount invested in or deposited with any such bank exceeds \$100,000. In no event shall the amount invested or deposited with any bank exceed 10% of such bank or savings & loan institution's total institutional deposits, except during the real property tax collection period between November 1st and December 8th each year, during which period such limitation may be exceeded for a period of not more than 30 days.

Bankers' Acceptances **25%**

All Bankers' Acceptances will be purchased from an Oregon financial institution.

Repurchase Agreements

25%

Repurchase Agreements shall be limited to a term no greater than 35 days. Collateral for the Repurchase Agreement shall be specifically assigned and must be delivered to the Portfolio Manager at the time of the investment.

Commercial Paper

25%

Investment in commercial paper must be rated A1/P1 or better and must mature within 270 days.

The combination of Repurchase Agreements, Time Certificates of Deposits, and Bankers' Acceptances may not exceed 25% of the total portfolio with any one financial institution.

No other type of investment or deposit in any other institution shall be permitted without the prior express written approval of the Portfolio Manager and Board of Commissioners. The purchase of financial forwards or futures and leveraged investment purchases are not allowed.

Bond proceeds shall be invested in the Local Government Investment Pool unless otherwise approved by the Portfolio Manager and the Board of Commissioners for investment under this policy.

SAFEKEEPING AND COLLATERAL

The Portfolio Manager shall be responsible for obtaining and maintaining the appropriate collateral certificates, as required by Oregon Revised Statutes, for deposits at any bank or other financial institution.

Investment securities purchased by the county will be delivered by either book entry or physical delivery, and held in third party safekeeping by the institution's trust department.

QUALIFIED INSTITUTIONS

A list of authorized financial institutions which are approved for investment purposes shall be maintained by the Portfolio Manager.

Each institution used for investment purposes and all banks or other financial institutions in which County funds are deposited shall provide an annual statement of financial position. The Portfolio Manager shall conduct an annual evaluation of each firm's creditworthiness to determine whether it should be on the list approved for investment.

Nothing herein shall be deemed to limit the authority of the Portfolio Manager and Board of Commissioners to impose additional restrictions and conditions on investments and deposits in any bank or other financial institution, should such restrictions and conditions be deemed reasonably prudent under the circumstances.

MATURITY SCHEDULING

ORS 294.135 shall govern investment maturity terms. Investment maturities will be scheduled to coincide with the County's need for such requirements as payroll and accounts payable. Cash for daily disbursements will be held in a financial institution designated by the Treasurer and approved by the Board of Commissioners as its depository for operating purposes.

Investment terms shall not exceed 12 months without the prior express approval of the Board of Commissioners.

REPORTING REQUIREMENTS

The County Treasurer shall submit, monthly, a register of current investments to the Board of Commissioners and any taxing district requesting the same. All other reports in accordance with the Oregon Revised Statutes shall be made available upon request.

ACCOUNTING METHOD:

Columbia County must comply with required legal provisions and generally accepted accounting principles. The accounting principles are those contained in the pronouncements of authoritative bodies including, but not necessarily limited to, the American Institute of Certified Public Accountants; the Financial Accounting Standards Board; and the Governmental Accounting Standards Board.

POLICY REVIEW

This policy shall be reviewed each January and modified when appropriate. Changes in staff or market conditions may warrant greater frequency. The Treasurer shall obtain written authorization from the Board before any exception to the above is made.

DATED this ___ day of _____, 2002.

Columbia County BOARD OF COMMISSIONERS

Chairman

Commissioner

Commissioner

Columbia County TREASURER

Treasurer