ADMINISTRATIVE POLICY

SECTION 400 Finance Management	POLICY 401
TITLE Accounting and Financial Reporting	**IMPLEMENTED BY PROCEDURE** NA
SPONSORING DEPARTMENT Finance	**R&O** 26-76
ADOPTED July 21, 2026	**REVIEWED** N/A **REVISED:** N/A

PURPOSE

This policy establishes the principles, standards, and requirements for accounting and financial reporting at Washington County. The policy ensures that the County maintains accurate financial records, produces reliable financial reports, and conducts appropriate oversight of the external audit process. Sound accounting and financial reporting practices are essential to maintaining public trust, supporting informed decision-making, and demonstrating accountability and transparency for the use of public resources.

AUTHORITY

Under Washington County charter and code, and per Administrative Policy 101 (Administrative Policies and Procedures Authorization), the authority to establish and approve this policy is granted to the Washington County Board of Commissioners (BCC) and the authority to implement this policy is granted to the County Administrator. This policy is established under regulations, standards, and requirements set by:

1. Washington County Charter, Section 60 – Requires the Board to adopt and enforce procedures for management of County finances.
2. Oregon Revised Statutes (ORS) Chapter 297.405-555 – Oregon Municipal Audit Law, requiring annual audits of county accounts and fiscal affairs.
3. Oregon Administrative Rules (OAR) Chapter 162, Division 10 – Minimum Standards for Audits of Oregon Municipal Corporations.
4. Oregon Administrative Rules (OAR) Chapter 294 - ORS 294.305 to 294.565 shall be known as the Local Budget Law.

5. Government Finance Officers Association (GFOA) Best Practices – Professional standards for governmental accounting and financial reporting.
6. Generally Accepted Accounting Principles (GAAP) – Standardized set of rules, standards, and procedures for financial reporting in the U.S. as established by the Governmental Accounting Standards Board (GASB).
7. Government Accounting Standards Board (GASB) – Independent entity that sets accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (GAAP).
8. Generally Accepted Government Auditing Standards (GAGAS) – As established by the U.S. Government Accountability Office.
9. 2 CFR Part 200 (Uniform Guidance) – For federal awards, including Single Audit requirements.

DEFINITIONS

1. Annual Comprehensive Financial Report (ACFR): The official annual financial report of the County, prepared in conformity with GAAP.
2. Accrual Basis: A method of accounting that recognizes revenues when earned and expenses when incurred, regardless of when cash is received or paid.
3. Component Unit: A legally separate organization for which the County is financially accountable or that has a relationship with the County such that exclusion would cause the County's financial statements to be misleading or incomplete. The component units are identified and evaluated annually for inclusion in the ACFR.
4. Blended Component Unit: Shares the same or substantively the same governing body as the County Board of Commissioners and with management oversight by the County.
5. Discretely Presented Component Unit: Has the same governing body as the County, which provides for the possibility of the primary government to affect the operations, policies, or budget of the separate legal entity.
6. Cognizant Agency: The federal government body (e.g. HUD) responsible for overseeing indirect costs, audits, and compliance for organizations receiving significant federal funding. In accordance with 2 CFR Part 200, the U.S. Department of Housing and Urban Development (HUD) is designated the cognizant agency for the Single Audit for Washington County.
7. External Financial Audit: An independent examination of the County's financial statements and related matters by a certified public accountant, conducted in accordance with professional auditing standards.
8. Fund: A fiscal and accounting entity with a self-balancing set of accounts used to track and report on financial resources and expenses for specific activities or objectives.

9. Generally Accepted Accounting Principles (GAAP): The standard framework of guidelines for financial accounting and reporting, established for state and local governments by the Governmental Accounting Standards Board (GASB).
10. Generally Accepted Government Auditing Standards (GAGAS): Standards for audits of government organizations, programs, activities, and functions, issued by the Comptroller General of the United States. Also known as the Yellow Book.
11. Governmental Accounting Standards Board (GASB): The independent organization that establishes accounting and financial reporting standards for U.S. state and local governments.
12. Internal Controls: Processes designed and implemented to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance.
13. Modified Accrual Basis of Accounting: A method of accounting under which revenues are recognized when they become both measurable and available to finance expenditures of the current period, and expenditures are generally recognized when the related liability is incurred. The modified accrual basis is used for governmental fund financial statements.
14. Single Audit: An audit of a non-federal entity that expends a threshold amount in federal awards during the fiscal year, conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

GENERAL POLICY

1. Accounting Principles and Standards
   - 1.1. GAAP Compliance. The County shall maintain its accounting records and prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).
   - 1.2. GASB Implementation. The Finance Department shall ensure that new GASB pronouncements are reviewed upon issuance, their impact on County financial reporting is analyzed, and implementation plans are developed and executed in a timely manner. Staff training on new standards shall be provided as needed.
   - 1.3. Accounting System. The County shall maintain accounting systems adequate to provide all data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP. The system shall support fund accounting and utilize budgetary controls. Proper security roles will be assigned and maintained based on job duties and in a manner that enforces internal controls.
   - 1.4. Basis of Accounting. The government-wide financial statements are reported using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Custodial funds use the accrual basis of accounting. Governmental fund financial statements are reported using the modified accrual basis of accounting.

2. Documentation and Procedures
    2.1. Accounting Procedures. Detailed accounting procedures shall be maintained, readily available to employees, regularly updated, and reviewed at least every three years or when significant changes occur.
    2.2. Record Retention. Financial records shall be retained in accordance with Oregon law and the County's records retention schedule. Documentation supporting financial statement balances and audit work papers shall be maintained for the period required by applicable regulations.
    2.3. Year-End Procedures. The Finance Department shall maintain documented year-end closing procedures to ensure timely and accurate preparation of financial statements.
3. Financial Reporting
    3.1. Annual Comprehensive Financial Report. The County shall prepare and publish an Annual Comprehensive Financial Report (ACFR). The County, in accordance with GAAP, is required to include all component units in the ACFR in order to present a complete financial picture. The ACFR shall be issued within six (6) months of the end of the fiscal year, or December 31st. Extensions should be filed with the Oregon Secretary of State and GFOA if unable to meet deadline.
    3.2. GFOA Certificate of Achievement. The County shall prepare the ACFR in a manner consistent with the standards that would qualify for the GFOA Certificate of Achievement for Excellence in Financial Reporting.
    3.3. Popular Annual Financial Report. The County shall make every effort to prepare and publish a Popular Annual Financial Report (PAFR) to supplement the ACFR. The PAFR presents the highlights of the County's financial activities in a simplified, user-friendly format designed to be accessible to residents and other stakeholders who may not have a background in governmental accounting. The PAFR, when prepared, should be issued in a timely manner, made available on the County website, and use data consistent with the ACFR.
    3.4. Annual Budget Document. The County shall prepare and publish an annual budget in accordance with the policies contained within Administrative Policy 404 (Budget). The budget message and budget document shall be prepared a sufficient length of time in advance to allow the adoption of the budget by the close of the current fiscal year.
    3.5. Financial Reporting to Departments. County departments shall have access to financial results and budgetary information for their departments and should monitor their budgets on a regular basis.
    3.6. Single Audit Report. Also referred to as the Schedule of Expenditures of Federal Awards (SEFA), the Single Audit Report presents the activity of all Federal assistance programs of Washington County and its blended component units. Financial assistance received directly from Federal agencies as well as financial assistance passed through others is

included on the schedule. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. A Single Audit's due date is the earlier of thirty (30) calendar days after receiving the auditor's report or nine (9) months after the end of the audit period (fiscal year-end) and are submitted to the Federal Audit Clearinghouse (FAC) with extensions possible if granted by the cognizant Federal agency.

4. Audit
    4.1. Annual Audit Requirement. In accordance with ORS 297.425, the County shall have its accounts and fiscal affairs audited annually by an independent certified public accountant. The audit shall be conducted in accordance with:
        4.1.1. Auditing standards generally accepted in the United States of America
        4.1.2. Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States
        4.1.3. Oregon Minimum Standards for Audits of Municipal Corporations (OAR Chapter 162)
        4.1.4. 2 CFR Part 200 (Uniform Guidance) requirements for Single Audit, when applicable
    4.2. Financial Auditor Selection. The County shall undertake a competitive process for selecting independent financial auditors in accordance with County procurement policies and GFOA best practices. As specified in the Audit Committee Bylaws, the Audit Committee shall collaborate with the Finance Department to establish selection criteria for use in the Request for Proposal (RFP) process. The Finance Department shall conduct the RFP and make a selection, with the principal factor being the auditor's ability to perform a quality audit. The Finance Department shall present the final selection to the Board of County Commissioners for approval. The County will enter into multiyear agreements of at least five years to ensure continuity while maintaining auditor independence. A full competitive selection process should occur at least every ten years.
    4.3. Financial Auditor Independence. The County shall consider risks to the financial auditor's independence before engaging the same firm to provide significant non-audit services. The Audit Committee shall be informed of any significant non-audit services that are beyond the scope of the financial statement audit.
    4.4. Financial Audit Filing. In accordance with ORS 297.465, the County shall file audit reports with the Oregon Secretary of State within six months after the close of the fiscal year, unless an extension has been granted. The County shall also file any required Plans of Action in response to audit findings.

4.5. Response to Financial Audit Findings. The County Administrator or designee shall provide written responses to all financial audit findings and recommendations, which are to be adopted by the BCC in accordance with ORS 297.466 and signed by the Chair. The Chief Financial Officer shall monitor implementation of corrective actions and report progress to the BCC.

5. Audit Committee Governance

5.1. Audit Committee Role. The Washington County Audit Committee provides independent review and oversight of the County's financial reporting processes, internal controls, and independent auditors. The Audit Committee serves as a liaison between the Board of County Commissioners, the independent external auditor, and the County Administrator (or designee). The Audit Committee operates under separate Bylaws adopted by the Board of County Commissioners.

5.2. Audit Committee Responsibilities. The Audit Committee carries out its responsibilities as specified in the Audit Committee Bylaws adopted by the Board of County Commissioners. These responsibilities include establishing criteria for financial auditor selection, reviewing audit plans, monitoring audit progress, participating in audit exit conferences, reviewing audit reports and management responses, and following up on implementation of audit recommendations.

5.3. Alignment with GFOA Best Practices. The Audit Committee structure and operations align with GFOA best practices for audit committees. The Committee was formally established by Resolution and Order 95-132 (1995), which adopted an Audit Committee Charter setting forth the Committee's purpose, composition, and responsibilities. This structure provides independent review of financial reporting, internal controls, and external audit oversight, and ensures access to individuals knowledgeable in accounting and audit matters.

5.4. Staff Support. The Finance Department shall provide staff support to the Audit Committee, as specified in the Audit Committee Bylaws.

ROLES AND RESPONSIBILITIES

1. Board of County Commissioners. The Board has ultimate responsibility for County financial management as specified in the County Charter. The Board adopts financial policies, approves the selection of independent auditors, receives audit reports, and provides oversight through the Audit Committee.
2. County Administrator/Chief Financial Officer: Responsible for overseeing implementation of this policy, producing timely and accurate annual ACFR and SEFA, providing a written response to any audit findings, and ensuring alignment with financial strategies and requirements.

3. Finance Department Leadership. Finance Department leadership shall serve as technical lead for governmental accounting matters. This responsibility includes researching and analyzing GASB pronouncements and their impact on County financial reporting, developing implementation plans for new accounting standards, overseeing the audit selection RFP process, and providing technical guidance to Finance Department staff and County departments. Finance Department leadership is also responsible for preparing complex financial statement elements and note disclosures, and serving as a resource on governmental GAAP questions throughout the organization.
4. Department Directors. Following guidance from the County's Finance Department in accounting treatment and processes, department directors are responsible for ensuring their staff comply with this policy and related accounting procedures, maintain adequate documentation for financial transactions, and cooperate with audit activities.
5. All County Employees. Following guidance from the County's Finance Department, County employees involved in financial transactions are responsible for following established accounting procedures, maintaining accurate records, and reporting any concerns regarding financial irregularities to their supervisor, department director, assistant county administrator, the County Administrator, the Finance Department, or via the Ethic Matters Hotline as defined in Policy 205 (Reporting Improper Governmental Conduct).

EXCEPTIONS

Exceptions to this policy may only be granted by the Washington County Board of Commissioners unless such authority has been delegated to the County Administrator.

IMPLEMENTATION

This policy is effective upon adoption by the BCC. Elected officials and department directors are expected to be knowledgeable of, and shall be responsible for, implementing this policy within their respective departments. Observance of this policy is mandatory for all County elected officials, employees, and volunteers, and violation may result in disciplinary action (up to and including termination).

TRAINING

1. Finance Department Staff. Finance Department staff involved in accounting and financial reporting shall receive appropriate training to maintain and enhance their knowledge of governmental accounting standards, GASB pronouncements, and applicable laws and regulations.
2. Departmental Staff. Department directors should ensure that staff with financial responsibilities receive training in County accounting policies, procedures, and internal

controls relevant to their duties. The Finance Department shall provide support and resources for such training as needed.

PERIODIC REVIEW

This policy shall be reviewed by the Finance Department at least every three years, or more often if needed, and updated as necessary. Reviews should consider changes to GASB standards, Oregon law, GFOA best practices, and audit findings.