FINANCIAL POLICIES

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BARNSTABLE COUNTY | 3195 MAIN STREET, BARNSTABLE MA 02630

The completion of this document would not have been possible without the assistance of Mark Abrahams, Norfolk County and Robert Lawton; their knowledge and commitment to excellence in municipal finance management is instrumental and reflected within these policies.

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1: INTRODUCTION

Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies. A well-designed and properly maintained system of documenting accounting policies enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff.

The Government Finance Officers Association (GFOA) recommends that every government should document its accounting policies and procedures. This document codifies Barnstable County Regional Government (the County) financial policies. The County is in the process of developing and documenting procedures to support and implement these policies.

An appropriate level of management to emphasize their importance and authority should promulgate accounting policies and procedures. The documentation of accounting policies and procedures will be evaluated annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. A specific employee will be assigned the duty of overseeing this process. Management is responsible for ensuring that this duty is performed consistently.

The documentation of accounting policies should be readily available to all employees who need it. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are intended to be performed rather than in some idealized form. Also, the documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

Financial policies are central to a strategic, long-term approach to financial management. The adoption of formal, written financial policies helps the County to:

- Institutionalize good financial management practices to promote stability and continuity.
- Clarify and crystallize strategic intent for financial management by defining a shared understanding of how the County will implement financial practices to provide the best value to the County.
- Support good bond ratings and thereby reduce the cost of borrowing.
- Manage risks to financial condition. A key component of governance accountability is not to incur excessive risk in the pursuit of public goals. Financial policies identify important risks to financial condition.
- Comply with established public management best practices from the Government Finance Officers Association (GFOA), and other organizations.

This document codifies the County's financial policies including:

- Budgeting
- Accounting and Financial Reporting
- Financial Reserves
- Capital Improvement Program and Budget
- Debt Management
- Financial Forecasting
- Indirect Costs
- Investments
- Grant Management

The County is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies are intended to outline objectives, provide formal direction, and define authority to help ensure sound fiscal stewardship and management practices.

The County desires the financial policies, including those for funding and using reserves and dedicated revenues, such as prior-year unappropriated fund balance and stabilization funds, become an integral part of the budget process.

With these financial policies, the County commits to the following objectives:

- Being fiscally responsible with County finances.
- Planning for on-going capital improvements, ensuring the quality and maintenance of capital assets.
- Ensuring appropriate financial capacity for present and future needs.
- Sustaining a consistent level of service and value for residents and businesses.
- Conforming to general law, uniform professional standards, and best practices.
- Protecting and enhancing the County's credit rating.
- Promoting transparency and public disclosure.
- Maintaining sound financial practices in accordance with all Federal, State, and local laws and directing its financial resources towards meeting the County's long-term goals.
- Maintaining and further developing programs to assure its long-term ability to pay the costs necessary to provide the level and quality of service required by its citizens.

Fiscal policies are an essential component of long-term forecasts and contingency plans and should help provide critical analysis and sound review for budget-development decisions. The County adopts an annual budget for the upcoming fiscal year, through which the Barnstable County Board of Regional Commissioners establish public policy by setting funding levels for departments and exercising control over County spending. The budget further serves as a financial-planning tool to ensure that the inflow of resources (revenues) is adequate to meet both anticipated and unanticipated needs (expenditures).

Barnstable County Board of Regional Commissioners empowers the Finance Director to identify potential inconsistencies with proposed actions and ordinances which may not adhere to the policies presented herein.

The financial policies presented herein do not supersede nor supplant Massachusetts General Laws or the Barnstable County Home Rule Charter and further are intended to provide guidance on financial matters of the County.

2: BUDGETING

2.1 Introduction

Most state and local governments are subject to a requirement to pass a balanced budget. A true structurally balanced budget is one that supports financial sustainability for multiple years into the future. A government needs to make sure that it is aware of the distinction between satisfying the statutory definition and achieving a true structurally balanced budget. The Government Finance Officers Association (GFOA) recommends that governments adopt rigorous policies for all operating funds, aimed at achieving and maintaining a structurally balanced budget. The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.

As a first step, the government should identify key items related to structural balance, to include recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves.

Recurring revenues are the portion of a government's revenues that can reasonably be expected to continue year to year, with some degree of predictability. County assessments are an example of recurring revenue. A settlement from a lawsuit is a good example of non-recurring revenue.

Recurring expenditures appear in the budget each year. Personnel services, contractual services, supplies and materials, and current charges and obligations are common examples of recurring expenditures. Capital asset acquisitions are typically not thought of as recurring because, although some capital assets may be acquired every year, they are not the same assets year after year. In general, recurring expenditures should be those that the County expects to fund every year to maintain current/status quo service levels.

Reserves are the portion of fund balance that is set aside as hedge against risk. The County should set a minimum amount of funds it will hold in reserve. This serves as a baseline measure to help determine the extent to which structural balance goals are being achieved. If reserves are maintained at their desired levels, it is an indication that the organization is maintaining a structurally balanced budget. If reserves are declining, it may indicate an imbalance in the budget (e.g., if reserves are being used to fund on-going expenditures). It is the County's policy to have a structurally balanced budget. This means that recurring revenues equal or exceed recurring expenditures.

For a variety of reasons, true structural balance may not be possible for a government at a given time. In such a case, using reserves to balance the budget may be considered. Subsequently, a plan to return to structural balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken over the next 12-month period to replenish the reserves.

Operating and capital budgets are developed on an annual basis to provide a comprehensive plan to deliver services. These budgets align the resources with the policy, goals, mission, and vision of the County. The formulation of budgets is one of the most important financial activities the County undertakes each year. This budget policy is intended to provide guidelines to assist in the formulation and consideration of broader implications of financial discussions and decisions, which ultimately assist in completing financial-planning cycles that deliver the best value.

2.2 Policy

With these concepts in mind, the County Commissioners adopt the following budget policies:

2.2.1 The County Commissioners shall follow the provisions of MGL Chapter 35, Sections 28 and 28B and the County Charter for drafting, acting, and adopting an annual operating budget. These provisions include procedures on the budget submission timeline, the responsibilities of the head of each department, budget message, annual policy statement, budget presentation, and budget adoption.

2.2.2 Annual operating budgets shall be recommended to the Assembly of Delegates on a balanced basis, where operating revenues are used to fund operating expenditures. Operating revenues include County tax assessments, Registry of Deeds receipts, state aid, grants, and transfers in from other funds as well as departmental and dedicated revenues established for recurring operating purposes.

Operating expenditures include personnel services, contractual services, supplies and materials, and current charges and obligations including debt service previously approved.

2.2.3 Recommendation of a balanced budget proposal to the Assembly of Delegates shall be done with consideration of other areas of the County Commissioners' financial policies, including, but not limited to, policies on capital programming and budget, debt management, and financial reserves.

The County will attempt to avoid non-recurring revenue sources, including available fund balance, to fund recurring operating expenditures.

The annual budget presented shall first secure core services and required mandates. Mandated expenditures will be budgeted first by available dedicated revenues.

Commitments to wage increases and service enhancements can be considered after core services have been secured with recurring revenue.

2.2.4 Expenditures shall not exceed budgeted appropriations.

2.2.5 Where available, one-time or non-recurring revenues that are not restricted by law, contract, or other provision shall be used for non-recurring commitments, such as the addition to County reserve funds, mitigation of contingent liabilities, or supplemental capital costs.

2.2.6 Before the final adoption of the expenditure ordinance, the Assembly of Delegates shall hold at least one public hearing to inform the residents of the County of its proposed budget and to hear testimony and argument before the adoption of the expenditure ordinance.

2.2.7 After completion of the public hearing, the Assembly of Delegates, by Ordinance, may further increase, decrease, alter, and revise the proposed itemized budget. The proposed itemized budget as increased, decreased, altered, and revised shall be finally adopted via an expenditure ordinance to pass by a majority vote of the Assembly of Delegates on or before June 1st and shall be the approved budget.

2.2.8 If the Assembly of Delegates shall fail to adopt the Budget a majority vote of the Assembly on or before June 1st, shall constitute the approved budget for the ensuing year, and the expenditure ordinance shall be deemed to have been passed by the Assembly as of that date.

2.2.9 The approved budget shall govern the expenditures of the County during the fiscal year. No expenses may be incurred in excess of those shown in the approved budget, but the budget may be from time to time amended by the preparation and submission of a proposed supplementary budget ordinance by the County Commissioners to the Assembly of Delegates on County expenditures. The Assembly of Delegates shall, not less than 15 calendar days, except in emergencies, nor more than 30 calendar days after such submission to it, approve or amend any such supplementary budget.

The County will strive to attain the GFOA Distinguished Budget Presentation Award for the County annual budget to recognize the best practice in budgeting.

3: ACCOUNTING AND FINANCIAL REPORTING

3.1 Introduction

Accounting and financial reporting are critical functions of county government. Accurate and timely financial information is important for informed decisions.

3.2 Policy

The County's accounting records shall present fairly with full disclosure the financial position and results of financial operations of the County in conformity with generally accepted accounting principles (GAAP) and shall demonstrate compliance with finance related legal and contractual provisions.

3.3 Basis of Accounting

The day-to-day method of accounting used by the County is the modified accrual basis of accounting where revenues are recognized when measurable and available and expenditures are recognized when the goods or services have been received. The County's fiscal year is July 1 through June 30.

The County's financial statements, which are produced based on generally accepted accounting principles (GAAP), are prepared by the County's independent audit firm. The statements report information about the County with a broad overview. These statements use accounting methods most like those used by a private-sector business and are typically used to demonstrate the short- and long-term financial position of the County. The users of this information are often bond rating agencies. The Government Accounting Standards Board (GASB) issues guidance for how GAAP-based financial statements should be prepared for government entities. The modified accrual basis of accounting, which is the basis used by governmental fund types, recognizes revenues when they are measurable and available and expenditures when the goods or services are received. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The County will strive to prepare an Annual Comprehensive Financial Report to attain the GFOA’s award for excellence in financial reporting.

3.4 Reconciliations

3.4.1 Cash Reconciliation

The County Treasurer shall maintain a cash book that is the source of cash postings by date to record: receipts, deposits, disbursements that includes beginning balance, receipts, warrants, transfers in, transfers out, and ending balance by bank account. The Treasurer shall receive all the money of the County and pay over and account for all money of the County. The cash books shall be supported by departmental receipts and expenditure warrants. The Treasurer shall maintain the cash book by bank account. The cash book is a legal and permanent record.

Monthly, the Treasurer shall:

- Reconcile the cash book's balance for each bank account to the bank statements.
- Reconcile the cash book's balance to the general ledger's cash balances.
- Periodically report the reconciliation of cash to the County Commissioners.

Reconcilable items include:

- Bank charges/debit memos, bank credits/receipts
- Cancelled checks
- Outstanding checks
- Deposits in transit
- Interest earnings
- Bounced checks
- Manual checks
- Wire transfers
- Bank charges and fees
- Lock box fees
- Redeposits
- Bank errors

3.4.2 Debt Reconciliation

The County Accountant will periodically reconcile the County's bonds payable and authorized but unissued debt maintained by the County Treasurer to the general long-term debt account group.

3.5 Year-End Closing

The year-end closing process is important to ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions. The County must properly close its books promptly after the fiscal year ends. Adhering to a timely schedule expedites the year-end closing process.

Annually by June 1, the County Accountant shall issue a year-end closing memorandum addressing the sufficiency of payroll and ordinary maintenance, year-end purchasing, encumbrances, cash receipts, bill refunds, and other year-end issues.

3.6 Transfers

Sums appropriated in appropriation ordinances shall be based upon detailed schedules approved by the County Commissioners and the Assembly of Delegates. Except as provided by such acts or except as otherwise provided by law, no liability may be incurred and no expenditure shall be made in excess of the amount available in an existing appropriation for a function, a main group, a class, or a subclass.

Departments may transfer monies within budgeted categories without the approval from the County Commissioners or the Assembly of Delegates.

Departments may transfer monies between budgeted categories with the approval from the County Commissioners and the Assembly of Delegates based upon written Ordinance request of the authorized official of the organization unit with the written approval of the County Commissioners, and copies of said request and approval shall be filed with the County Treasurer.

Transfers within an appropriation between classes and between subclasses within a main group or department may be made at the request of the Department Head to the Finance Director with the approval of the County Administrator when public necessity and convenience so requires.

Transfers shall be consistent within the following categories:

Category A – Group 1 – for salaries and other compensation for personal services.

Category B – Group 2 – for capital structures, improvements and CIP.

Category C – Group 9 – for fringe benefits; and

Category D – Group 2 – for contractual services, Group 3 – for supplies & materials, Group 4 – for other current charges, Group 5 – for equipment and CIP Equipment and Obligations and Group 7 – for not otherwise classified.

Funds appropriated in any category may not be transferred to another category without the prior written approval of the Board of Regional Commissioners and the ratification of such approval by a majority vote of the Assembly of Delegates.

Amounts included for permanent positions in such acts for personnel services shall be based upon schedules of permanent positions, salary rates as approved by the County Commissioners, and, except as otherwise shown by the files on said boards, a copy of which shall be deposited with the county Human Resource Director. No part of sums appropriated shall be available for payment of salaries of any additional permanent positions, for payments on account of upward reallocations of permanent positions, or for payments on account of any change of salary range or compensation of any permanent positions, subject to approval by the Human Resource Director.

3.7 Year-End Purchasing

By June 1, the Chief Procurement Officer will email all department heads advising them to submit purchase orders on all bid items to be submitted by a date certain and emergency non-bid purchase orders by a date certain.

Departments may encumber estimated and known costs for goods or services that have been received as of June 30, for which an invoice has not been received. This requires a specific vendor for which the County has a contact and/or a W-9. The use of a miscellaneous vendor will not be permitted.

With minimal exceptions, any outstanding purchase order as of June 30 shall be rescinded if not liquidated by August 31 of the following fiscal year. Should the County receive an invoice relating to a closed purchase order, the invoice may be paid based on a review by the County Administrator from the prior-year bills line-item account. Any monies determined by the County Administrator to be required, in excess of the amount in the prior-year line-item account shall be recommended by the County Administrator to the County Commissioners and the Assembly of Delegates, by Ordinance, to be paid from the Unappropriated Prior Year General

Fund Balance or another funding source. Construction projects will be reviewed individually.

3.8 Year-End Processing

By June 1, the Finance Department will provide all departments with year-end instructions advising them to submit all available invoices by annually scheduled warrant dates and to provide notification of any pending obligations remaining from the fiscal year. The Accountant will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts) with proper documentation.

All cash receipts, bill refunds, requisitions, payrolls, and warrants must be processed prior to June 30. Payments of departmental weekly and bi-weekly overtime payroll expenses must be immediately submitted after June 30 to the County Accountant, consistent with the department's year-end timetable.

The County Accountant will close the books of accounts by August 31st. At the closing of the Barnstable County books by August 31st, the unexpended balance of each appropriation shall become a part of the general unappropriated balance in the County treasury. No appropriation voted by the Ordinance process for special non-operating purposes shall lapse until the work for which it has been made has been completed. Such appropriation may not be carried forward for more than one extra fiscal year. Any remaining unappropriated account balances thereafter shall become a part of the general unappropriated balance in the County treasury. Written notification of such balance to be carried forward shall be submitted by the County Treasurer to the County Commissioners, within a reasonable time period following the close of the fiscal year for which it was originally appropriated.

3.9 FINANCIAL REPORTING

3.9.1 Interim Reporting

Appropriate interim statements, reports of financial position and operating results, and other pertinent information should be prepared to facilitate management control, for legislative oversight and for external reporting purposes. All departments shall have access to the year-to-date budget report so that they may monitor departmental receipts, encumbrances, and expenditures. The County

Accountant shall provide revenue and expenditure reports to the County Commissioners quarterly.

3.9.2 Annual GAAP Reporting

The County shall prepare audited basic statements by December 31. The County's accounting and financial reporting systems shall be maintained in conformance with generally accepted accounting principles and reports will strive to meet the requirements of the GFOA's Award for Excellence in Financial Reporting program demonstrating the best practice in financial reporting.

3.9.3 Annual Financial Audit

The County shall contract, through a request for proposal procurement process, an annual financial audit with an independent certified public accounting firm with governmental auditing experience. Contracting with an independent certified public accounting firm for a period not to exceed five years is considered best practice and should be adhered to whenever possible. The County will require an annual Management Letter to be required as part of the audit engagement. The County will strive to have the audit complete by December 31 of each year.

3.10 Retention

The County shall conform to the Municipal Records Retention Schedule with respect to records in common and agency specific records.

4: GIFTS AND DONATIONS

4.1 Introduction

This policy establishes a formal process for acceptance and documentation of donations made to the County. This policy provides guidance when individuals, community groups, and businesses wish to make donations to the County. This policy also establishes the standards for County employees and County officials regarding the acceptance of gifts during the performance of County business.

4.2 Policy

All donations to the County, including offers to employees related to the County, shall immediately be submitted for consideration for acceptance. Based on the value of the donation offered as outlined below, appropriate County staff shall review every donation and determine if the benefits to be derived warrant acceptance of the donation.

All offers of donations of cash or items of value must be accepted by the Barnstable County Board of Regional Commissioners.

Offers of donations for gratuitous purposes (e.g. holiday gift baskets, etc.) to any employee, department or the County shall be made available to benefit all employees.

Donations may be offered in the form of cash, real or personal property. Designated donations mean those donations that the donor specifies for a particular County department, location, or purpose. Undesignated donations mean those donations that are given to the County for an unspecified use.

Designated donations may only be accepted when they have a purpose consistent with the County's goals and objectives and are in the best interest of Barnstable County. The County must always consider public trust and comply with all applicable laws when accepting donations.

5: FINANCIAL RESERVES

5.1 Introduction

This policy establishes prudent practices for appropriating and expending financial reserves to help the County stabilize finances and maintain operations. With well-planned sustainability, the County can use its reserves to serve as revenue sources for the annual budget, finance emergencies and other unforeseen needs, and to hold money for specific future purposes. Reserve balances and policies can also positively impact the County's credit rating and consequently the long-term cost to fund major projects.

5.2 Policy

The County commits to building and maintaining its reserves to provide flexibility in budgeting and to provide a funding source for financial stability, capital improvements, and extraordinary and unforeseen expenditures. These reserves include prior year unappropriated balance, stabilization funds, capital improvement funds, retained earnings and dedicated revenues.

5.3 Prior-year General Unappropriated Balance

Prior-year General Unappropriated Balance can be defined as the remaining, unrestricted funds from operations of the previous fiscal year, including the general unappropriated fund balance from the previous year. It is like the concept of free cash for Massachusetts' municipal entities. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ended, plus unexpended amounts from the previous year. The County strives to use prior-year General Unappropriated Balance on non-recurring, one-time expenditures.

There shall be a certification process to determine the amount of the uncommitted prior year fund balance. This shall be compiled by the County Accountant. Shortly after the close of the fiscal year, but no later than September 15, the County Accountant shall determine the available prior year general unappropriated balance and shall deduct any outstanding commitments against this balance, fund balance shortfalls, or other items. This calculation shall be presented to the County Commissioners and Assembly of Delegates. The County Commissioners shall approve the certification. The County Accountant will then segregate the amount certified from the Prior-year General Unappropriated Balance. These funds may be appropriated by the County Commissioners with the approval of the Assembly of Delegates for any legal purpose including the temporary use of short-term borrowings beginning July 1 through the normal supplemental budget Ordinance process. The County shall strive to use these funds for non-recurring expenditures such as to fund capital and increase reserves.

The County's policy is to maintain a Prior Year General Unappropriated Balance in the general fund in an amount equivalent to no less than 10 percent of the operating expenditure budget, with a goal of 15 percent.

5.4 Reserve Fund

The County may budget a reserve fund to be determined and budgeted by the County Commissioners. The reserve fund may be used for emergency and unforeseen operating expenditures. According to Massachusetts General Law Chapter 35, Section 32, these funds may be recommended by the County Commissioners with the approval of the Assembly of Delegates through the Ordinance process.

No direct draft against the account known as the Reserve Fund as appearing in Assembly of Delegate's appropriations shall be made, but transfers from such accounts to other accounts may be made to meet extraordinary or unforeseen expenditures upon the request of the county commissioners to and with the approval of the assembly; provided, however, that if such assembly of delegates has not acted upon such request within forty-five days after such request has been received by it, then the county commissioner may submit such request to the bureau of accounts. The director of accounts shall be notified of the approval of such transfer by the county commissioner within fifteen days.

5.5 Stabilization Fund

The County may create and maintain one or more County Stabilization Funds under Chapter 151 of the Acts of 2016 and Chapter 35, Section 28B(j) of the Massachusetts General Laws.

The County Commissioners, with the approval of the Assembly of Delegates may appropriate by Ordinance an amount to the Stabilization Fund in any year. Any interest shall be added to and become part of the fund.

The County Treasurer shall be the custodian of the fund and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, national banks, banking companies or in participation units in a combined investment fund under section 38A of chapter 29 or invest the proceeds in those securities as are legal for the investment of funds of savings banks under chapter 168 or in federal savings and loans associations situated in the commonwealth.

The County shall strive to maintain a minimum balance in its stabilization fund of no greater than 20 percent and not less than five percent of the current operating budget. Withdrawals from the stabilization fund should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the five-percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the County Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

To replenish the stabilization fund's balance, in the year immediately following any withdrawal, an amount at least equivalent to the withdrawal should be deposited into the fund.

5.6 Other Post-Employment Benefit (OPEB) Fund

The Government Finance Officers Association (GFOA) recommends that governments prefund their obligations for post-employment benefits other than pensions (OPEB) once they have determined that the employer has incurred a substantial long-term liability. In most cases, employers can make long-term investments to cover these obligations through a separate trust fund that should, over time, result in a lower total cost for providing post-employment benefits.

The Board of Regional Commissioners accepted the provisions of Chapter 32B, Section 20 of the Massachusetts General Laws on July 20th, 2016 which enabled the creation of an Other Post-Employment Benefits (OPEB) Trust Fund, specifically segregated to address the County’s actuarial liability.

This policy establishes guidelines for the management of the impact of the County’s Other Post-Employment Benefits (OPEB) liability on the overall budget and credit rating, within the context of the County’s long-term obligations to its retirees. The custodian of the OPEB Trust Fund is the County Treasurer. The County’s OPEB trust fund is currently managed by Rockland Trust. with the purpose of investing funds that are designated to address the County's OPEB liability.

The OPEB Trust Fund shall be supported by transfers from multiple funding sources, potentially including non-recurring revenue and undesignated general fund balance.

At minimum, the County will seek to appropriate $100,000 (beginning in FY2023) as a transfer in the operating budget submitted annually by the County Administrator as a part of the annual budget. Further, the County will strive to increase the annual contribution from the operating budget by a minimum of $50,000 until reaching annual operating budget funding of $500,000.

Additionally, the County Commissioners and the Assembly of Delegates, authorized by an approved ordinance, may contribute a portion of the undesignated general fund-fund balance as needed and deposit into the OPEB Trust Fund on an annual basis.

When Barnstable County fully funds its pension liability, the surplus funding available will be directed toward OPEB in its entirety.

5.7 Capital Improvement Fund

The Capital Improvement Fund may be appropriated by the County Commissioners with the approval of the Assembly of Delegates for any purpose authorized under M.G.L or for such other County purpose as is approved by the Ordinance process.

The County Treasurer shall be the custodian of said fund and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, national banks, banking companies or in participation units in a combined investment fund under M.G.L. section thirty-eight A of chapter twenty-nine or invest the same in such securities as are legal for the investment of funds of savings banks under the provisions of M.G.L. chapter one hundred and sixty-eight or in federal savings and loan associations situated within the Commonwealth.

The County Administrator shall prepare a 5-year capital improvement program in accordance with these policies.

5.8 Dedicated Revenues

County Departments may have or acquire dedicated revenue sources which shall be used to fund relevant or applicable County and or departmental operational costs.

6: CAPITAL IMPROVEMENT PROGRAM AND BUDGET

6.1 Introduction

Future operating costs associated with new capital improvements will be projected and included in the operating budget forecasts, based on the following:

- Improvements to large capital items, such as large vehicles and roofs, roads, and sidewalks, should generally be paid for via borrowing. The debt service for that borrowing would be paid from the operating budget until the maturity of the bonds.
- Lease-purchase agreements may be authorized to allow the County to take advantage of special conditions or circumstances, where the terms are advantageous to the County.
- Short-Term debt may be used to provide necessary cash flow prior to bond sales, to start capital projects on optimal construction or acquisition schedules before determinate costs can be ascertained. The County, when possible and economic, will use cash on hand to fund projects until bonds are issued.
- The scheduling of bond issues will be arranged to provide the necessary on-going funds for each capital project.

Policies designed to guide capital planning help to assure that the County's capital needs are fully considered in the capital planning process. Effective policies can also help the County to assure the sustainability of its infrastructure by establishing a process for addressing maintenance, replacement, and proper fixed asset accounting over the full life of capital assets. In addition, capital planning policies can strengthen the County's borrowing position by demonstrating sound fiscal management and showing the County's commitment to maximizing benefit to the public within its resource constraints.

Good capital planning policies can lead to the development of a capital plan that is consistent with best practices; however, they do not constitute the capital plan itself. Rather, capital planning policies establish a framework in which stakeholders understand their roles, responsibilities, and expectations for the process and an end result. Ideally, such policies also include guidelines for coordinating capital projects and promoting sound, long-term operational and capital financing strategies.

To create a sustainable capital plan, the County Administrator with support from the County Facilities Director, the Chief Procurement Officer, and other participants in the capital planning process, will consider all capital needs, assess fiscal capacity, plan for debt issuance, and understand impact on reserves and operating budgets, all within a given planning timeframe. The plan shall be informed by an annual written County facilities needs inventory, collected and compiled by the County Facilities Director. Capital planning policies provide an essential framework for managing these tasks and for assuring that capital plans are consistent with overall organizational goals.

The County shall develop the capital needs inventory over the summer months and shall compile the five - year capital improvement plan by October 31.

6.2 Policy

The County shall develop and adopt capital planning policies that provide:

- A description of how the County will approach capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the organization.
- A clear definition of what constitutes a capital improvement project.
- Establishment of a capital improvement process.
- Identification of how decisions will be made in the capital planning process including a structured process for prioritizing need and allocating limited resources including an assessment of the County's fiscal capacity so that the final capital plan is based on what can realistically be funded by rather than being simply a wish list of unfunded needs.
- A procedure for accumulating necessary capital reserves for both new and replacement purchases.
- A policy for linking funding strategies with the useful life of the asset includes identifying when debt can be issued and any restrictions on the length of debt.
- A requirement that a multi-year capital improvement plan be developed and that it includes long-term financing considerations and strategies.
- A process for funding to ensure that capital project funding is consistent with legal requirements regarding full funding, multi-year funding, or phased approaches to funding.

6.2 Capital Asset Definition

For generally accepted accounting principles, a capital asset is a tangible item that has a value of $15,000 or higher and an estimated useful life of more than five years. For budgeting purposes, capital items are one-time purchases with a useful life greater than one year, such as furniture, computers, and vehicles. Requests for capital items are to be submitted to the County Administrator so that those items authorized for purchase can be budgeted as part of the annual capital budget alongside the County's annual operating budget. These capital items are not to be budgeted within departments' budgets and will be compiled under the County Administrator's Capital budget.

6.3 Capital Project Definition

A capital improvement project is any project that improves or adds to the County's tangible infrastructure, has a substantial useful life of 5 years or longer, and costs $50,000 or more in total, regardless of funding source. Examples of capital projects include the following:

- Construction of new buildings or major renovation of, or additions to, existing buildings • Land acquisition or major land improvements or major vehicle or equipment acquisition and/or refurbishment.
- Planning, feasibility studies, and design for potential capital projects.

6.4 Capital Planning Process

The County will continually develop and maintain a five-year capital improvement program including the upcoming annual capital improvement budget. Part of this planning process includes departmental strategies and preparation; a ten-year projection of capital needs and expenditures which details the estimated cost, description, and anticipated funding sources for capital projects shall be prepared annually by each department of the county. The first year of the five-year capital improvement program will be the basis of formal fiscal year appropriation request. Future operating costs associated with new capital improvements will be projected and included in the operating budget forecasts. The capital improvement budget and plan will generally address those capital assets with a value of more than

$25,000 and a useful life of over one year. Capital items of less than $25,000 shall be part of the operating budget.

This will include maintaining an updated inventory of capital assets, including fixed assets and infrastructure. The County will maintain a capital asset inventory consistent with Generally Accepted Accounting Principles (GAAP). The capital asset inventory will be distributed by the County Accountant to County departments annually. The County departments will submit capital requests to the County Administrator based on useful life schedules and priorities by September 30. The County will determine the status of previously approved projects including County Commissioners' appropriations and balances within capital projects funds and develop a priority listing of projects. Consideration will be given to projects that are included in the annual capital needs inventory collected and compiled by the County facilities directors that:

- Are necessary to maintain the County's current infrastructure.
- Involve correcting a current safety or health issue, and/or to meet a Federal or State legal requirement.
- Are designed to modernize and upgrade existing County facilities.
- Are required to increase the capacity of existing facilities to accommodate the increase in growth of the County.

County departments will submit capital projects using an inventory of capital form submission which should, for each item, identify:

- The capital request control number
- Description of the request
- Location
- Responsible department and individual
- Department priority
- Total Cost
- Number of years until completion
- Expenditures by fiscal year
- Suggested financing plan
- Operating and maintenance cost impact
- Project justification

6.5 Capital Budgeting Process

Each capital project shall have a corresponding plan to finance the capital assets or improvement. Financial analysis helps the County determine how much it can afford to finance considering current revenues, expenditures, and debt capacity. Consideration will be given to:

- Balancing debt service (principal and interest) payments.
- Determining debt service levels and debt capacity.
- Maximizing other financing sources including Reallocated Capital Project Funds, State and Federal Grants, Gifts and Donations.
- Available Stabilization Funds
- Debt — General Obligation Bonds & Exclusionary-as-you-go — Operating Budget or Unexpended Prior-year Fund Balance.

The major focus of the capital budgeting process is to determine the amount of capital improvements the County can afford. Capital budgeting works well when aligned with other County financial policies such as:

- Debt — Debt service should not exceed 10 percent of annual operating expenditures.
- General Unappropriated Balance — The County should maintain a minimum of 10 percent of the operating expenditure budget, with a goal of 15 percent.
- Financial Reserves — The County should maintain financial reserves consistent with these policies.
- Capital Stabilization — the County should maintain a Capital Stabilization Fund consistent with these policies.
- Financial Forecasts — The County should plan capital projects and acquisitions to maintain a balanced financial forecast.

The Capital Improvement Program will be adopted annually by the County Commissioners upon recommendation by the County Administrator.

6.6 Capital Monitoring

The County should monitor capital project activity on a regular basis at least twice per year. Such monitoring should include a review of project accounts, budgets, and transactions. It should also include confirming the adequacy of cash flow and revenue sources for the corresponding project.

7: DEBT MANAGEMENT

7.1 Introduction

Debt management policies are written guidelines that document the debt issuance practices of the County. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt management, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals rating agencies and the capital markets that the County is well managed and therefore is likely to meet its debt obligations in a timely manner. Debt management policies should be written with attention to the County's specific needs and available financing options and are typically implemented through more specific operating procedures. Finally, debt management policies should be approved by the County to provide credibility, transparency, and to ensure that there is a common understanding among elected officials and staff regarding the County's approach to debt financing.

The purpose of this policy is to establish written guidelines and restrictions for issuing debt and managing the outstanding debt portfolio, and to provide guidance to decision makers regarding the purposes for which debt may be issued, types and amounts of permissible debt timing and method of sale that may be used, and structural features that may be incorporated. Adherence to a debt management policy helps to ensure that the government maintains a sound debt position and that credit quality is protected.

7.2 Policy

The County's debt management policy exists to:

- Ensure high quality debt management decisions.
- Impose order and discipline in the debt issuance process.
- Promote consistency and continuity in the decision-making process.
- Demonstrate a commitment to long-term financial planning objectives.
- Ensure that the debt management decisions are viewed positively by the rating agencies, investment community, and taxpayers.

Massachusetts General Laws, Chapter 35, Section 37A regulate the purposes for which counties may incur debt and the maximum maturity for bonds issued for each purpose. While Chapter 35, Section 37A defines County bonds, the County cannot issue long-term debt without authorization of the Ordinance process.

7.3 Capital Improvement Plan

The County shall establish and maintain a five-year Capital Improvement Plan (CIP), including all proposed projects and major pieces of equipment that may require debt financing. The County's long-term debt strategies shall be structured to reflect its capital needs and ability to finance. The County may obtain capital needs from departments beyond the five-year period.

7.4 Bond Rating

The County's bond rating is Important because it determines the rate of interest it pays when selling bonds and notes as well as the level of market participation (number of bidders). Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts including Moody's, Standard & Poor's, and Fitch typically look at the following four factors in assigning a credit rating:

- Debt Factors — Debt per capita, debt as a percentage of equalized valuation, debt service as a percent of operating budget, rate of debt amortization, and the amount of exempt versus non-exempt debt.
- Financial Factors — Operating surpluses or deficits, and unfunded pension and OPEB liabilities.
- Economic Factors — Property values, personal income levels, economic base diversity, unemployment rates, and population growth.
- Management Factors — Governmental structure, the existence of a capital improvement plan (CIP), financial forecast, financial policies, and the quality of accounting and financial reporting.

The County shall continually strive to maintain the highest bond rating through sound financial management, improved receivables management, accounting and financial reporting, and increased revenues and other financing sources such as the General Stabilization Fund and the Capital Stabilization Fund.

7.5 Debt Guidelines

The County recognizes that maintaining debt levels within supportable standards favorably impacts credit ratings and ensures the County will have an affordable repayment obligation. At the same time, the regular and well-structured use of long-term debt signifies commitment to maintaining and improving its infrastructure.

Municipal credit analysts often use 10% as a maximum benchmark for financial soundness. To stabilize the desired ceiling, it will be necessary for the County to schedule future debt service to coincide with maturing debt service. The County will strive to obtain these financial targets.

A. Long-term debt will be issued only for objects or purposes authorized by M.G.L. Chapter 35, Section 37A.

B. Short-term debt may be issued to finance current operating expenditures only in the event of extreme financial emergency such as in cases of major disaster, including, but not limited to, flood, drought, fire, hurricane, earthquake, storm or another catastrophe,

    - It shall be the County's policy to establish a debt service ceiling of 10%. The annual debt service payable on bonded general fund debt net of aid subsidies, reimbursements, and offsets shall not exceed 10% of the annual operating budget.
    - Debt financing for projects supported by General Fund revenue shall be reserved for capital projects and expenditures which either cost in excess of $100,000 or have an anticipated life span of five years or more.
    - Bond maturities for all County-issued debt shall not exceed the anticipated useful life of the capital project being financed, except for major buildings. The County will evaluate market rates to see if refunding debt can save the County money.

The County will maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.

7.6 Debt Maturity Schedule

The county may choose to borrow for a shorter period than allowed by the statutory limit to reduce interest costs. Except for major buildings it shall be the County's policy that bond maturities shall be limited to no more than 20 years or a maturity that is consistent with the life of the asset financed. Exceptions may be made when grants, reimbursements, or other situations warrant the County's goal of aggressive amortization of new debt service and shortening terms for existing debt when there is an opportunity to refinance a bond at a lower cost. Bond maturities shall not exceed the anticipated useful life of the capital project being financed. It shall be the goal of the County to maintain bond maturities so that at least 60% of the outstanding debt (principal net of debt exclusion and enterprise fund amounts) shall mature within 10 years.

7.7 Debt Strategies

The County shall:

- Issue long-term debt only for objects or purposes that are financially supported and authorized by state law.
- Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
- Confine long-term borrowing to capital improvements and projects that cost at least $100,000 and that have useful lifespans of at least five years or whose lifespans will be prolonged by at least five years.
- Debt will not be used to fund any recurring purpose, such as current operating and maintenance expenditures, except in the most extraordinary purpose.
- Continually pursue opportunities to finance the capital budget by means other than conventional borrowing such as state and/or federal grant funding or other types of financing instead of general obligation bonds whenever possible.

7.8 Debt Issuance

The County shall work closely with the County's Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained.

8: FINANCIAL FORECASTING

8.1 Introduction

A financial forecast conservatively projects revenues and expenditures over a multi-year period. It is designed to allow the County to evaluate the impact of various decisions and policy choices over time. A financial forecast includes reasonable assumptions that must be continuously evaluated and updated to reflect changing circumstances and events. By doing so, the forecast provides a fair representation of the County's fiscal future built to help guide the budget process and planning.

The main goals of a financial forecast are to conservatively project revenues and expenditures over a period of years based on documented assumptions and to provide a tool to continuously update those assumptions and forecasts. The financial forecast is not intended to present a balanced forecast, which is the function and role of a budget.

It is important to recognize that forecasting is more an art than an exact science. Therefore, accuracy declines rapidly when extended beyond five-year forecasting.

8.2 Policy

The County commits to conduct an annual financial forecast to facilitate long-range financial planning.

8.3 Budgetary Control

The County Commissioners are required to adopt an annual budget for all County departments, which is then submitted to the Assembly of Delegates for approval via the Ordinance process as defined by the Barnstable County Charter.

Any revisions that increase the total budgeted expenditure of any department and fund, and any changes to staffing levels, must be approved by the same process.

8.4 Revenue Guidelines

The County Administrator is responsible for estimating revenues for the upcoming fiscal year. The County Administrator will consult with other officials of the County as well as state officials and others with knowledge of state and local finance.

Revenue forecasts shall be conservative, using generally accepted forecasting techniques and appropriate data including historical trends. The County will continuously seek to diversify its revenue to broaden financial resources and improve the equity and stability of sources. Each year and whenever appropriate, the County will reexamine existing revenues and explore potential new sources. Additionally, intergovernmental revenues (e.g., County assessments, grants) will be reviewed annually to determine their short- and long-term stability to minimize detrimental impacts.

Throughout the year existing revenues shall be monitored and possible new sources of revenue shall be explored to ensure all revenue potential is maximized. All fees are reviewed annually and periodically updated. Revenue deficits will be avoided at all costs.

User charges and fees will be set to recover approximately 100% of total direct and indirect costs wherever practical.

The County will strive to be informed and aware of all grants and other aid that may be available. All potential grants and other aid shall be carefully examined for matching requirements.

One-time revenues will be used for capital improvements, additions to reserves and OPEB Trust, or as legally restricted to a specific purpose.

The County will carefully and routinely monitor all amounts due to the County.

The County will not use one-time revenues to fund ongoing or recurring operating expenditures, except in the most extraordinary circumstances. These one-time revenue sources can include, but are not limited to, sale of municipal equipment, legal settlements, insurance proceeds, unexpended prior year surplus, and gifts. Additionally, the County hereby establishes the following priority order when appropriating one-time revenues:

- Prior-year General Unappropriated Balance
- Capital Improvement Fund
- Stabilization Fund

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenues. In such cases, the County Administrator will recommend to the County Commissioners the use of one-time funds for operational appropriations, via the Ordinance process. Such use will trigger the County Administrator to develop an action plan to avoid continued reliance on one-time revenues.

This policy further entails the following expectations regarding revenues:

- County departments that charge fees will annually review their fee schedules with the County Commissioners and propose adjustments when needed to ensure coverage of service costs.
- Department heads will strive to seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
- Services and activities funded by fees or grant revenue will require budgeting for administrative support beyond the County's customary de minimis charge, where applicable (and see section 10.2, p. 40).

8.5 Expenditure Guidelines

Annually, the County will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department), potentially guided by a calculable difference between budgeted and actual expenses. A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

An expenditure is recognized when a good or service has been received by the County from an appropriation account or from an authorized funding source. Expenditures and purchase commitments will be made in a form and process that is legal, appropriate, funded, authorized, and sufficiently documented.

- The balances in appropriation accounts will be monitored regularly to ensure that the expenditures and purchase commitments in any account do not exceed the authorized budget.
- Requests for competitive bids, proposals, formal and informal quotes, and other methods of seeking and encouraging vendor competition will be obtained as required by law.
- The full direct and indirect costs will be calculated for any service provided for a fee or charge, or where there is a potential for reimbursement of such costs.
- All appropriations shall lapse at the close of the fiscal year to the extent that they shall not have been expended or encumbered.

8.6 Financial Forecast Guidelines

To determine the County's operating capacity for each forthcoming fiscal year, the County Administrator will annually create and provide the County Commissioners with a detailed budget forecast. The forecast shall be used as a planning tool in developing the following year's operating budget as well as the five-year capital improvement plan.

The financial forecast shall be prepared no later than December 31 of each year.

To ensure the County's revenues are balanced and capable of supporting desired levels of services, forecasts for revenues will be conservative and based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., fees, investment income) should generally not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable. Additionally, the County's forecast model should assume that:

- The current level of services will be maintained.
- Salaries and wages will be forecasted consistent with current salary and wage schedules and collective bargaining agreements. Where the forecast period extends beyond the established schedules, three-year averages will be utilized.

- Non-salary expenditures will be forecasted based on (1) contractual provisions for known and measurable costs, (2) three-year averages, or (3) inflation, whichever is more practical.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Potential cost-of-living adjustment estimates for the impact of future contract settlements and compensation plan increases are included.
- Debt service on existing debt will be paid and Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with its Financial Reserves policy.

9: INDIRECT COSTS

9.1 Introduction

This policy is established to provide guidelines for the calculation, allocation, and review of indirect costs maintained by the County.

To achieve this most effectively, the goal of this policy is to ensure that all indirect costs associated with these services are allocated to each fund in a manner that is reasonable and equitable, reflects the true shared costs, and is easily replicable from year to year.

9.2 Policy

As part of the annual budget process, the County Administrator will strive to calculate the indirect costs to the general fund of the County's operations and will review the calculations with the named Department Heads, commencing with the Dredge Department, until there is mutual agreement on the resultant totals. The calculation will consider all related expenses to the County departments that provide administrative services to other entities.

The County Administrator will calculate indirect costs using the most recent fiscal year's appropriations. The following expenses shall be included in the calculations:

- Other postemployment benefits
- Administrative costs
- Other costs that may be considered and agreed to such as materials, supplies, software, infrastructure, and fuel.

For each related activity, the County Administrator will maintain written instructions detailing the calculation methodology.

Indirect costs will be identified in the County budget. The County Commissioners, upon recommendation from the County Administrator, shall vote approval of the County budget, which approves the indirect cost amounts. This section does not apply to Federal, State and Local grants received by Barnstable County. Indirect costs associated with grants management is covered under section 9.3

9.3 Indirect Cost Rate/De Minimis Charges For Grants

With the exception of the Cape Cod Commission, the County of Barnstable does not have a pre-existing negotiated indirect cost rate. When allowable, grant budget proposals shall utilize a De Minimis rate of 10% of modified total direct costs (MTDC).

The Cape Cod Commission, as an independent department of the County, negotiates an indirect cost rate with the federal government on an annual basis. The approved indirect cost rate is utilized to support the administrative costs associated with grant administration and management.

CFR 200.414(f) states: " Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200-States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b., may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely."

10: INVESTMENTS

10.1 Introduction

The Treasurer's office serves as the county's cash manager, maintaining custody of all county funds with responsibility for the deposit, investment, and disbursement of all of these funds. Treasurer Responsibilities include:

- Receives and deposits all money collected from all county departments.
- Acts as the treasurer and custodian of the funds of every institution, organization, board, commission, or other public body to the use of which funds are contributed. Responsible for accurate accounting and investment per Massachusetts General Law.
- Distributes these funds via Accounts Payable and Payroll.
- Maintains daily cashbook reflecting a breakdown of all daily receipts and disbursements.
- Develops and maintains relationships with various financial institutions to maximize earnings and minimize costs, while obtaining the necessary services provided by these financial institutions.
- Reconciles all bank accounts monthly to maintain accurate fund balances. Issues all authorized debt for both short- and long-term borrowing.

Except for items like Other Post-Employment Benefits (OPEB) Trust, Stabilization Fund, and County grants, all County funds are fairly liquid.

The objective of the County's investment policy is to ensure the County's public funds achieve the highest possible, reasonably available rates of return while following prudent standards associated with safety, liquidity, and yield. This policy establishes investment guidelines and responsibilities. It is further designed to comply with the Governmental Accounting Standards Board's recommendation that each community disclose its key policies affecting cash deposits and other long-term investments to ensure they are managed prudently and not subject to extraordinary risk.

10.2 Policy

The Treasurer will invest funds in a manner that meets the County's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to prudent investment standards. The Treasurer will manage all investments so as to achieve a fair market average rate of return within the context of relevant statutes, safety, and liquidity constraints, in accordance with the Barnstable County Investment Policy. In priority order, the Treasurer's investment objectives are:

- Safety — Safety of principal is foremost, and the Treasurer will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit and interest rates. The Treasurer will mitigate these risks by prudently selecting and diversifying investment instruments and depositary choices.
- Liquidity — The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.
- Yield — The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the County's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer will ensure that all short-term operating funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service. For trusts and other long-term funds, liquidity is less important than growth. The Treasurer will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account to allow for the proper proportioning of interest and any realized and unrealized gain or loses. All trust funds are under the Treasurer's control unless otherwise directed by their donor(s).

10.3 Investments

All monies held in the name of the county or the county retirement system, or any other account under the jurisdiction of the county government, or by a county officer, which are not required to be kept liquid for purposes of distribution for the thirty-day period next following, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available. It shall be the fiduciary duty of all officers of the county who control the investment of such funds to invest them prudently so as to accrue the highest amount of interest reasonably available on such funds.

The Treasurer having more money in his/her hands than is required for immediate use, shall deposit it, in their official name, in national banks or trust companies in the commonwealth or banking companies doing business in the commonwealth and qualified to receive demand deposits under the provisions of Chapter 172 Section 6 at the best practicable interest rates. The Treasurer may also deposit in time deposits in such national banks, trust companies or banking companies and invest in United States treasury bills. Interest thereon shall be paid to the county provided, that interest accruing on the deposit as aforesaid of any money paid to any official mentioned in this section which is so paid under order of a court or which is otherwise subject to the direction of a court shall, if the court so directs, be paid to the parties entitled to the principal fund of such deposit.

The Treasurer shall not deposit any of the funds for which they are accountable in any national bank, trust company or banking company with which such treasurer or officer is associated as an officer or employee or has been associated as an officer or employee at any time during the preceding three years.

The Treasurer shall be the custodian of the County retirement system fund and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, national banks, banking companies or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the Commonwealth or in federal savings and loan associations situated in the commonwealth or may participate in the Pension Reserve Investment Fund (PRIT).

10.4 Diversification

The Treasurer will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money invested in the Massachusetts Municipal Depository Trust (MMDT) or obligations backed by U.S. government agencies, the Treasurer will invest no more than 25% of the County's long-term funds with a single financial institution. At all times the County Treasurer shall seek full collateralization of all funds under his/her control.

10.5 Ethics

The Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. Said individuals shall disclose to the County Executive any material financial interest in financial institutions that do business with the County. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the County's investments.

11: GRANT MANAGEMENT

11.1 Introduction

The County's best interests are served through effective grant management to assure timely reimbursements and help prevent year-end account deficits. Every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations as they may apply.

11.2 Policy

All departments are encouraged to solicit grant funding for projects and programs consistent with their stated objectives and the County's goals. With the exception of Cape Cod Commission, all grant applications must receive preapproval by the County Administrator and Finance Director or their designees, to ensure that the department can meet the requirements of that grant which may include, but not be limited to, having sufficient resources to meet in-kind requirements, having sufficient staff, or retention/maintenance requirements.

Specifically,

11.2.1 Copies of the Grant, the Grant Award, and a line-item budget must be provided to the Finance Department prior to any receipt of funds. No department shall be allowed to expend grant funds until these requirements have been met. A fund and chart of accounts will be established for each grant so that a complete and comprehensive detailed record of all receipts and expenditures can be maintained.

11.2.2 The County Administrator may forward the grant application for a legal review.

11.2.3 The Grant Project Manager (may be the County Administrator, department head, or other designated individual) is required to ensure that all expenditures are allowable and consistent with the grant award's requirements.

11.2.4 In some cases grant funds may be used for prizes as result of a contest or certain work within the grant. The policy shall be that no general funds from the county may be used for the purchase of any gift card. The use of Grant Funds for the purchase of gift cards may be approved upon receipt of an email, memo, or letter from the Grant Agency specifically authorizing the use of the grant funds for gift card prizes. Gift cards must be restricted to prohibit the purchase of alcohol, tobacco, and or any nicotine, non-nicotine, or herbal products. These items are prohibited by Massachusetts General Laws. The County Agency or Department issuing the cards shall keep a record of the purchase and distribution of the cards.

11.2.5 All Grants will be assigned to a Grant Fiscal Officer to oversee expenditures including wages, fringe benefits, other expenditures as well as required match contributions. Grant Officers will also be responsible for regular billing and verification of collections.

11.2.6 Grant accounts should be closed as soon as practicable after the completion of the project. Grant accounts should not have deficits upon closing; however, if a grant account has been over-expended, the expense will be applied to either the operating budget or an appropriation from another available/appropriate fund or funds.

11.2.7 Reimbursements shall be made as often as needed or in accordance with the grant guidelines to minimize the use of County funds. Unless otherwise coordinated, grant accounts should not have deficit balances as of June 30 of any year.

11.2.8 All grant activities are subject to audit by the Grantors, the Finance Department, and the County's independent auditor.

11.3 Subrecipient Monitoring

The County of Barnstable (the County), which includes the Cape Cod Commission, must determine whether the recipient of each sub-agreement it makes is a “contractor” or “subrecipient” for the disbursement of Federal or State funds. In making such a determination, the County will utilize **2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards**, for both State and Federal grants. Specifically, the following definitions: §200.23 Contractor and §200.93 Subrecipient along with the guidance found in §200.331. Generally, "subrecipients" are instrumental in implementing the applicable work program whereas a "contractor" provides goods and services for the County's own use. Contractors will be subject to the County's Procurement Policies/Procedures. Subrecipients are subject to the County's Subrecipient Monitoring and Management Policies/Procedures.

The County, in its administration of Federal and State funds will monitor any subrecipients in accordance with 2 CFR §200.331 to §200.333 Subrecipient Monitoring and Management.

The County is considered a "pass-through entity" in relation to its subrecipients, and as such requires that its contractor and subrecipients comply with applicable terms and conditions (flow-down provisions). All subrecipients of Federal or State funds received through the County are subject to the same Federal and State statutes, regulations, and award terms and conditions as the County.

11.3.1 In the execution of every subaward, the County will communicate the following information to the subrecipient and include the same information in the subaward agreement.

1. Every subaward will be clearly identified and include the following Federal award identification:

    a. Subrecipient name,
    b. Subrecipient's unique ID number (UEI,EIN),
    c. Federal Award ID Number (FAIN) or State Grant Number,
    d. Federal and/or State award date,
    e. Subaward period of performance start and end date,
    f. Total amount of federal and/or state funds obligated to the subrecipient by the County,
    g. Total amount of this Federal and/or State award obligated to the subrecipient,
    h. Total approved cost sharing or match required where applicable,
    i. Project description responsive to Federal Funding Accountability and Transparency Act (FFATA), if applicable,
    j. Name of Federal awarding agency, pass through entity and contact information for County and subrecipient,
    k. Assistance Listing (AL) number and name,
    l. Identification of whether the award is R&D,

m. Subrecipient’s indirect cost rate for this Federal subaward (if applicable).

2. Requirements imposed by the County including statutes, regulations, and the terms and conditions of the Federal and State awards.
3. Financial and progress reporting requirements including submission deadlines and any additional requirements the County deems necessary.
4. Requirements for compliance monitoring include that the County and its auditors have access to the subrecipient records and financial statements.
5. Terms and conditions for closeout of the subaward.

11.3.2 All County project managers are responsible for subrecipient monitoring under the supervision of the Finance Director. The County will monitor the activities of the subrecipient to ensure the subaward is used for authorized purposes.

The County’s subrecipient monitoring procedures include:

- At the time of proposal, assess the potential of the subrecipient for programmatic, financial, and administrative suitability.
- Evaluate each subrecipient’s risk of noncompliance prior to executing a subaward. In doing so, the County will assess the subrecipient's:
    - Prior experience with the same or similar subawards,
    - Results of previous audits and single audits (if applicable),
    - New personnel or new or substantially changed systems,
    - The extent and results of Federal awarding agency monitoring, to include references to suspension and debarment.
- Confirm the statement of work and review any non-standard terms and conditions of the subaward during the negotiation process.
- Monitor financial and programmatic progress and ability of the subrecipient to meet objectives of the subaward. To facilitate this review, subrecipients are required to submit sufficient invoice detail and progress reports. County project managers will ensure timely receipt of

subrecipients' invoices and progress reports. These invoices and reports will be sent to the Grant Fiscal Officer (GFO) to meet fiscal reporting deadlines.

- In conducting regular oversight and monitoring, the County project managers will:
    - Verify invoices and progress reports,
    - Review progress reports to ensure project is progressing appropriately and on schedule,
    - Compare invoices to agreement budget to ensure eligibility of costs and that costs do not exceed budget,
    - Review invoices to ensure supporting documentation is included and invoices costs are within the scope of work for the projects being invoiced,
    - Obtain reports, certification and supporting documentation of local (non-federal)/in-kind match work from the subrecipient,
    - Review subrecipient match tasks for eligibility,
    - Initial progress reports and invoices confirming review and approval prior to payment,
    - Raise any concerns to the Finance Director.

- The Finance Director and the County Administrator, upon recommendation from the Project Manager, will approve invoice payment through the vendor warrant process.

- Payments will be withheld from subrecipients for the following reasons:
    - Insufficient detail to support the costs billed,
    - Unallowable costs,
    - Ineligible costs, and/or
    - Incomplete work or work not completed in accordance with required specifications.

- Verify every subrecipient is audited in accordance with 2 CFR §200 Subpart F – Audit Requirements

Subrecipient project files will contain, at a minimum, the following:
- Project proposal
- Project scope
- Progress reports

- Financial reports
- Interim and final benchmarks
- Copies of other applicable project documents as required, such as copies of contracts or MOUs

11.3.3 All subrecipients are required to annually submit their most recent audit and Single Audit report, as applicable (see audit threshold set forth in 2 CFR 200.501), to the County for review to ensure the subrecipient has complied with good accounting practices and federal regulations. If a deficiency is identified, the County will:

- Issue a management decision on audit findings pertaining to the Federal award,

- Consider whether the results of audits or reviews indicate conditions that necessitate adjustments to the County's own records.

11.3.4 The County will work with subrecipients to resolve any findings and deficiencies. To do so, the County may follow up on deficiencies identified through on-site reviews, provision of basic technical assistance, and other means of assistance as appropriate.

The County will consider taking enforcement action against non-compliant subrecipients in accordance with 2 CFR 200.338 when noncompliance cannot be remedied. Enforcement may include taking any of the following actions as appropriate:

- Temporarily withhold cash payments pending correction of the deficiency,
- Disallow all or part of the cost of the activity or action not in compliance and require repayment, as appropriate,
- Wholly or partly suspend or terminate the subaward,
- Initiate suspension or debarment proceedings,
- Withhold further Federal and/or State awards for the project or program,
- Take other remedies that may be legally available.

These policies were adopted by the Board of Barnstable County Commissioners on this date:

Signed: