



Cass County  
Financial Management  
Policy

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## I. Summary

Cass County (County) is responsible for safeguarding and prudently managing public funds, which includes planning for and providing adequate funding and resources to deliver the needed and desired county services to the community. To establish and document a policy framework for effective fiscal decision-making, planning, and management, the county will establish and maintain a comprehensive Financial Management Policy. This policy will incorporate sound financial management practices and will demonstrate compliance with the associated federal and state statutes.

The Financial Management Policy will be reviewed annually and updated or revised, as necessary. Updates and changes to the policies contained herein will be presented to the Commissioners Court for approval.

This Financial Management Policy will apply to all funds maintained by the County unless otherwise specified herein. These funds include:

### *Governmental Fund Types*

- General Fund - The general fund is the County's primary operating fund and will be used to account for and report all financial resources not accounted for and reported in another fund. The general fund will be used to finance the basic operations of the County.
- Special Revenue Funds - The County will maintain special revenue funds to account for and report the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.
- Debt Service Fund - The debt service fund will be used to account for and report the accumulation of resources that are restricted, committed, or assigned for payment of principal and interest on the County's general long-term debt.
- Capital Projects Funds - The County will maintain capital projects funds to account for and report financial resources that are restricted, committed, or assigned for capital outlay (e.g., bond funds).

The purpose of these policies is to ensure that financial resources are available to meet the present and future needs of the County and its citizens. Specifically, the policy framework contained herein mandates the pursuit of the following fiscal objectives:

- 1) General:** The County will implement an October 1-September 30 fiscal calendar. The County will also abide by all State and Federal Laws governing Counties. The County will review the Financial Policy every year.
- 2) Accounting, Auditing, and Financial Reporting:** The County will implement and maintain accounting practices that conform to Generally Accepted Accounting Principles. The County will present regular reports that analyze, evaluate, and forecast the County's financial performance and economic condition. The County will issue a Comprehensive Annual Financial Report no later than six months following the end of the fiscal year.
- 3) Financial Consultants:** The County will employ the assistance of qualified financial advisors and consultants, as needed, to assist in the administration and management of the County's financial affairs, including audit services, debt administration, delinquent tax collections, and financial modeling.

- 4) **Budgeting and Long-range Financial Planning:** The County will establish budgeting guidelines and will employ a prudent fiscal strategy to provide for the short-term and long- term needs of the County through strategic management and preservation of its financial resources.
- 5) **Revenues:** The County will establish, manage, and maintain a revenue system to assure a reliable, equitable, and sufficient cash flow to support the desired level of County services and fund balance.
- 6) **Operating Expenditures:** The County will identify and prioritize services, determine appropriate service levels, and monitor the expenditure of available resources to ensure fiscal stability and the effective and efficient delivery of services.
- 7) **Fund Balance:** The County will maintain the fund balance of all operating funds at levels sufficient to protect the County's creditworthiness as well as its financial position during emergencies or economic fluctuations.
- 8) **Capital Expenditures and Improvements:** The County will annually review and monitor the state of the County's capital assets, setting priorities for the addition, replacement, and renovation of these assets based on needs, funding alternatives, and availability of resources.
- 9) **Debt Management:** The County will establish guidelines for debt financing to provide needed land, long-term capital additions, and infrastructure improvements while minimizing the impact of debt payments on current and future revenues.
- 10) **Cash Management and Investments:** The County will invest idle operating cash so as to ensure the absolute safety of principal, to meet the liquidity needs of the County, and to achieve the highest possible yield in accordance with state statute and the County's Investment Policy.
- 11) **Grants:** The County will seek, apply for, and effectively administer federal, state, and local grants which support the County's current and future priorities and policy objectives.
- 12) **Intergovernmental Relations:** The County will coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing government services on an equitable basis, and support favorable legislation at the state and federal levels.
- 13) **Internal Controls:** The County will establish and maintain a system of internal controls designed to safeguard County assets, ensure the accuracy and reliability of accounting and financial records, promote operational efficiency, and adhere to prescribed policies in compliance with federal and state regulations and County ordinances and policies.
- 14) **Economic Development:** The County will initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy and tax base. The County will account for all financial commitments made in connection with economic incentives granted to developers.

## II. General Policies

The County will operate on a fiscal year which begins on October 1st and ends on September 30th. Cass County will conduct its financial affairs in conformity with State and Federal laws, and this Financial Management Policy, which shall be approved by Commissioners Court and reviewed on an annual basis.

### III. Accounting, Auditing, and Financial Reporting

The County will implement and maintain accounting practices that conform to Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB), along with Texas Statutes the authoritative standard-setting body for state and local governments.

#### A. *Accounting Practices and Principles*

All governmental funds will use the modified accrual basis of accounting, which means that revenues are recognized in the accounting period in which they become available and measurable, while expenditures are recognized in the accounting period in which they are incurred. Because the appropriated budget is used as the basis for control and comparison of budgeted and actual amounts, the basis for preparing the budget is the same as the basis of accounting. Exceptions under the modified accrual basis of accounting include:

- Grants, which are considered revenue when awarded, not received
- Principal and interest on long-term debt, which are recognized when paid

#### B. *Financial Reports and Fiscal Monitoring*

Monthly financial reports will be prepared and distributed to the Commissioners Court, County Judge, and District Judge. All Departments who receive monies will submit a financial report to the Auditor's Office no later than the 5<sup>th</sup> working day of the following month, as set out in Local Government Code (LGC) 114.001 of the Texas Statutes. These financial reports will be useful for analyzing, evaluating, and forecasting the County's financial performance and economic position, as required by Articles 114.022, 114.024, 114.025, 111.091 and 111.092 of the Local Government Code.

#### C. *Annual Audit*

Pursuant to state statute, as authorized by Article 115.043 of the Local Government Code, the County will have its records and accounts audited annually and will prepare an annual financial statement and report. The audit will be performed by a certified public accounting (CPA) firm licensed to practice in the State of Texas. The annual financial statement and report, including the auditor's opinion, will be part of an official Annual Comprehensive Financial Report (ACFR).

The audit firm will provide a management letter to the County prior to the filing of the audit. The audit firm will also provide a Single Audit of federal and state grants, when necessary. The County Auditor will be responsible for establishing a process to ensure timely resolution of audit recommendations.

#### D. *Annual Financial Disclosure*

As required by the Securities and Exchange Commission (SEC) Rule 15c2-12, the County, with the support of the financial advisor, will annually provide certain financial information and operating data to information repositories. This disclosure requirement also applies to the filing of any periodic material event notices in compliance with Rule 15c2-12.

#### E. *Escheating Checks*

As required by state law, the County will file the necessary reports on an annual basis to turn over to the State Comptroller any checks in excess of \$100 that have been outstanding for more than the applicable abandonment period. This property is considered abandoned and will be delivered to the State Comptroller on or before July 1 of each year.

## IV. Financial Consultants

The County will employ qualified financial advisors and consultants, as needed, to assist in the administration and management of the County's financial affairs, including, but not limited to, audit services, debt administration, delinquent tax collections, and financial impact modeling. The principal factors in the selection of these advisors and consultants will include technical expertise, experience, ability to perform the services, and references.

### A. *Selection of Auditors*

The Commissioners Court will select an independent firm of certified public accountants to perform an annual audit of the County's accounts and records and to render an opinion on the financial statements of the County. At least every four years, the County will request proposals from qualified firms and either affirm the current audit firm or select a new firm.

Annually, the independent auditor will provide a letter of engagement to the Commissioners Court for the fiscal year to be audited.

### B. *Arbitrage*

The County is responsible for the arbitrage rebate calculation on each bond issue. The County will provide the necessary information and records to a qualified firm for completing these calculations and preparing the required report filings. The County will make timely payments of any rebate amount owed to the federal government.

Requests for qualifications will be solicited at least every five years from firms qualified to prepare arbitrage rebate calculations and reports.

### C. *Delinquent Tax Collection Attorney*

Due to the specialized nature of these services, the County will hire an experienced attorney to collect delinquent property taxes. These services will also include the filing of bankruptcy claims, foreclosures on real property, and seizures of personal property. The attorney will provide legal representation for the County in court cases and property sales.

### D. *Bond Counsel*

Bond counsel to the County will provide an objective legal opinion concerning the issuance of bonds and other debt instruments. Generally, bonds are not marketable without the opinion of bond counsel indicating the bonds are valid and binding obligations of the County and exempt from federal and state income taxes.

Due to the complexity of the County's financial structure and the benefits that come from a history and knowledge of the County, the County maintains an ongoing relationship with the bond counsel for continuity. The engagement letter with bond counsel may be terminated at any time upon written notice by either party.

### E. *Financial Advisory Services*

The County issues various types of securities to finance its capital improvement program and will employ a financial advisor for these services. Debt issuance and restructuring requires a comprehensive list of services associated with municipal transactions, including, but not limited to, analysis of market conditions, size and structure of the issue, method of sale, preparation of

disclosure documents, evaluation of and advice on the pricing of securities, facilitation of rating agency relations, and calculation of debt service schedules. The financial advisor will provide other financial advice and expertise, as needed.

Due to the complexity of the County's financial structure and the benefits that come from the history and knowledge of the County, the County maintains an ongoing relationship with the financial advisor for continuity.

*F. Depository Bank*

Pursuant to state statute, the County may approve a depository services contract for a term up to five years. The County typically establishes the contract for depository services for an initial term of three years with the option to renew annually in each of the remaining two years. The County will select a depository through a formal bid process in order to provide the County with the most comprehensive, flexible, and cost-effective banking services available.

*G. Investment Advisory Services*

The Commissioners Court may from time to time employ qualified individuals or firms as an Investment Advisor to assist the investment officer(s) in carrying out the investment program and complying with the requirements of the County's Investment Policy and the Public Funds Investment Act.

## V. Budgeting and Long-range Financial Planning

The County will establish budgeting guidelines and will employ a prudent fiscal strategy to provide for the short-term and long-term needs of the County through strategic management and preservation of its financial resources.

*A. Balanced Budget*

Budgeting is an essential element of the financial planning, control, and evaluation process of the County. The operating budget represents the County's annual financial operating plan. It includes all operating departments of the County. Annually, the County Judge will file an operating budget for the ensuing fiscal year in accordance with state statutes, Subtitle B, Chapter 111 of the Local Government Code.

A structurally balanced budget is defined as recurring revenues funding recurring expenditures and adherence to fund balance policies. Therefore, the operating budget should be balanced with current revenues, inclusive of beginning balances, greater than or equal to current expenditures/expenses. Excess balances may be used for capital outlay or other non-recurring expenditures. A structurally imbalanced budget will be accompanied by a plan to return the budget to structural balance, including a five-year financial forecast that reflects steps to be taken to return the budget to structural balance. Short-term loans will be avoided as budget balancing techniques.

*B. Current Funding Basis*

The County will budget and operate on a current funding basis with expenditure budgeted and controlled so as not to exceed projected current revenues. Recurring expenditures will be funded exclusively with recurring revenues to facilitate operations on a current funding basis.

*C. Use of Non-recurring Revenues*

Non-recurring revenue sources, such as one-time revenue remittances of fund balance in excess of policy, can only be budgeted and used to fund non-recurring expenditures, such as capital purchases or capital improvement projects. This will ensure that recurring expenditures are not funded by non-recurring sources.

*D. Ad Valorem Tax Rate*

The County Judge will recommend an ad valorem (property) tax rate to enable the County to operate the general fund efficiently and to fund the required annual debt service payments.

*E. Revenue Estimating for Budgeting*

To protect the County from revenue shortfalls and to maintain a constant level of services, the County will use a conservative, objective, and analytical approach when preparing revenue estimates. To mitigate the overall effects of revenue fluctuations, the County will limit discretionary spending, exercise budget control, and generate conservative revenue forecasts.

Whenever possible, the County will seek outside sources of revenue, such as federal, state, and local grants, in order to leverage local dollars.

*F. Budget Management*

The County Auditor will administer the budget after it is formally adopted by Commissioners Court. Department directors will be responsible for managing spending so as not to exceed the department's total budget allocation.

*G. Budget Amendment or Adjustment*

Emergency situations, unforeseen circumstances, and revised cost estimates may require amending the original budget. Commissioners Court may, by ordinance, transfer unencumbered appropriation balance from one department to another or increase total appropriations with the identified funding source.

Administratively, the budget may be adjusted to reallocate existing unencumbered appropriations among items of expenditure within a department.

*H. Operating Deficits*

The County will take immediate corrective actions if at any time during the fiscal year expenditure and revenue forecasts are such that an operating deficit is projected at year end. Corrective actions may include any or all of the following:

- Deferral of capital purchases
- Expenditure reductions
- Hiring and/or salary freezes
- Reduction or elimination of wage increases
- Use of fund balance
- Increased service and usage fees
- Staff reductions

With Commissioners Court approval, excess fund balance, as a one-time revenue source, may be used to cover an annual operating deficit.

## VI. Revenues

The County will establish, manage, and maintain a revenue system to assure a reliable, equitable, and sufficient cash flow to support the desired level of County services and fund balance.

### A. *Balance and Diversification in Revenue Sources*

The County will strive to maintain a stable and diversified revenue system to protect the County from fluctuations in any single revenue source due to changes in local economic conditions, for example, which may adversely impact the revenue source (e.g., motor vehicle sales tax revenue).

### B. *User Fees - General Fund*

For services that benefit specific users, the County will establish and collect fees to recover the costs of these services. The County will determine the appropriate level of cost recovery and establish a fee schedule accordingly. Each fee will be set and classified by the Commissioners Court.

The County will identify and evaluate direct and indirect costs to determine what is applicable in calculating cost of service. The following may also be considerations when setting user fees: current economic conditions, demand for services, impact on users, and competitive pricing in the private sector, if applicable. While the County will seek to recover full direct and indirect costs, in some cases the County may deem it appropriate to set user fees at a level that will result in partial or minimal cost recovery. The County will review user fees on an annual basis to calculate the level of cost recovery and determine if adjustments are necessary or appropriate.

### C. *Revenue Collections*

The County will enact collection policies that ensure revenues will materialize as budgeted/forecast. The County will follow an aggressive, consistent, yet reasonable approach for revenue collection by pursuing delinquent and overdue accounts to the fullest extent allowed by law.

### D. *Non-recurring Revenues*

One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenue sources, such as a one-time revenue remittance, may only be used to fund non-recurring expenditures, such as capital purchases or capital improvement projects. Non-recurring revenues will not be used to balance the budget.

## VII. Operating Expenditures

The County will identify and prioritize services, determine appropriate service levels, and monitor the expenditure of available resources to ensure fiscal stability and the effective and efficient delivery of services.

### A. *Current Funding Basis*

The County will budget and operate on a current funding basis with expenditure budgeted and controlled so as not to exceed projected current revenues and/or planned use of fund balance accumulated through prior year savings. Recurring expenditures will be funded exclusively with

recurring revenues to facilitate operations on a current funding basis. Any use of fund balance for expenditures will be in accordance with the County's fund balance policy incorporated in this Financial Management Policy.

*B. Maintenance of Capital Assets*

Within the resources available each fiscal year, the County will maintain capital assets and infrastructure at a sufficient level to protect the County's investment, to minimize future replacement and maintenance costs, and to maintain service levels.

*C. Review of Programs and Services*

The County will conduct periodic reviews of programs and services to evaluate demand, efficiency, and effectiveness. Programs and services determined to be inefficient and/or ineffective will be recommended through the annual budget process to be reduced in scope or eliminated. Privatization and contracting with other governmental agencies or private entities may be considered as alternative approaches to service delivery.

*D. Purchasing*

The County will conduct its purchasing and procurement activities efficiently and effectively and in compliance with all applicable state laws. The County will strive to maximize discounts and capitalize on savings through the use of competitive bidding, or when competitive bidding is not required, will seek to obtain the most favorable terms and pricing.

Recommendations of bids, proposals, and contracts in excess of \$5,000 will be presented to Commissioners Court for formal approval.

All invoices approved for payment by the proper County authorities will be paid within thirty (30) Calendar days of receipt of goods or services or the invoice date, whichever is later, in accordance with state law.

The County maintains a separate Purchasing Policy for further information.

## VIII. Fund Balance

The County will maintain the fund balance and working capital of its operating funds at levels sufficient to protect the County's creditworthiness as well as its financial position during emergencies or economic fluctuations. Unassigned fund balance is an important measure of economic stability. It is essential that the County maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

*A. Definitions*

Fund equity is generally the difference between a fund's assets and its liabilities.

Fund balance is the fund equity of a governmental fund for which an accounting distinction is made between the portions that are spendable and no spendable. In accordance with GASB Statement No. 54, fund balance is classified into five categories based on the following distinctions, which depict the relative strength of the spending constraints placed on the purposes for which the funds may be used:

- **Non-spendable fund balance** includes the portion of net resources that cannot

be spent because of their form (e.g., inventory, long-term loans, or prepaids) or because they must remain intact, such as the principal of an endowment.

- **Restricted fund balance** includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include impact fees and bond proceeds.
- **Committed fund balance** includes the portion of net resources upon which the Commissioners Court has imposed limitations on use. Amounts can be used only for the specific purposes determined by a formal action of the Commissioners Court. Commitments may be changed or lifted only by the Commission taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- **Assigned fund balance** includes the portion of net resources for which an intended use has been established by the Commissioners Court or the County Auditor who is authorized to do so by the Commissioners Court. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed, which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned fund balance** includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

*B. Committed Fund Balance*

The Commissioners Court is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Commissioners Court at Commissioners Court meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period (i.e., the Commission may approve the calculation or formula for determining the amount to be committed).

*C. Assigned Fund Balance*

The Commissioners Court authorizes the County Auditor as the County official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

*D. Minimum Unassigned Fund Balance*

It is the goal of the County to achieve and maintain an unassigned fund balance in the General Fund equal to 25% of expenditures. The County considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances.

*E. Replenishment of Minimum Unassigned Fund Balance Reserves*

If unassigned fund balance unintentionally falls below 25% or if it is anticipated that at the completion of any fiscal year the projected unassigned fund balance will be less than the minimum requirement, the County will impose budget strategies and timeframes necessary to return to its goal.

These steps may include, but are not limited to:

- Identifying new, nonrecurring, or alternative sources of revenue;
- Increasing existing revenues, charges, and /or fees;
- Use of year end surpluses; and/or
- Enacting cost-saving measures, such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce.

*F. Order of Expenditure of Funds*

When multiple categories of fund balance are available for expenditure (e.g., a construction project is being funded partly by a grant, funds set aside by the Commission and unassigned fund balance), the County will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

*G. Monitoring and Reporting*

The County Auditor's Office will be responsible for monitoring and reporting the County's reserve balances. The County Judge is directed to make recommendations to the Commissioners' Court on the use of reserve funds, both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise.

Compliance with the provisions of the policy will be reviewed as a part of the annual operating budget adoption process, and subsequent review will be included in the annual audit and financial statement preparation process.

## IX. Capital Expenditures and Improvements

The County will annually review and monitor the state of the County's capital assets, setting priorities for the addition, replacement, and renovation of these assets based on needs, funding alternatives, and availability of resources. This review will be done during the annual budget process.

### A. *Capitalization Threshold for Capital Assets*

Capital items should be capitalized only if they:

- Are owned by the County
- Have an estimated useful life of at least one year following the date of acquisition or significantly extend the useful life of the existing asset;
- Cannot be consumed, unduly altered, or materially reduced in value immediately by use
- Have a cost of not less than \$1,000 for any individual item; or
- Assets that are purchased in groups that cost more than \$5,000 for governmental funds.

All costs associated with bringing an asset into working order will be capitalized as part of the asset cost. This includes start-up costs, engineering, or consultant type fees that are incurred once the decision to purchase the asset is made. The cost of land acquired includes all related costs associated with its purchase.

Improvements will be capitalized when they extend the original life of an asset or when they make the asset more valuable than it was originally. The replacement of asset components will normally be expensed unless they are of a significant nature and meet all of the capitalization criteria.

An item will not to be considered a capital asset if it requires regular replacement because of rapid wear, a one-time use of the item will destroy it, or maintenance on an existing capital asset merely returns the item to a functioning product.

Please review the ***Cass County Fixed Asset Policy*** for more information regarding fixed asset classification, recording, depreciation, liquidation, and transfers.

### B. *Capital Improvement Plan*

As part of the annual budget process, the County will prepare a capital improvement plan (CIP) based on the needs for capital improvements and equipment, including replacement and renovation and potential new projects. Annual capital spending needs will be considered within the scope of the long-range capital improvement plan, taking into consideration pay-as-you-go financing, debt requirements, operating costs, etc.

Capital expenditures are generally defined as those to purchase and/or construct land, buildings, improvements other than buildings, and infrastructure, including roads, sidewalks, bridges, etc., in order to provide services over a considerable period of time. Capital costs typically consist of preliminary and final engineering and design and construction, but may also include the acquisition of land or easements. For each project identified in the plan, a project scope and justification will be provided for review and consideration and will include cost estimates, funding sources, and projected annual operation and maintenance costs. Capital projects will become part of the County's asset inventory.

The Capital Improvement Plan will be reviewed along with the annual budget. Appropriations are for the life of the capital project. At fiscal year-end, projects will be reviewed and, if complete, will be closed. Following completion of a project, any remaining funds will be re-appropriated as part of the next year's capital budget. Funds remaining from bond proceeds may only be used in accordance with the legal use of those funds.

*C. Infrastructure Evaluation and Replacement/Rehabilitation*

Drainage, roads, County facilities, and other infrastructure are fundamental and essential for public health and safety, environmental protection, and the economic well-being of the County. The County's CIP will be focused on ensuring that infrastructure is replaced as needed to protect the County's investment, to minimize future replacement and maintenance costs, to maintain existing levels of service, and to accommodate growth.

Infrastructure will be replaced, if feasible, at the end of its useable service life. If upgrades are warranted to meet current design standards, a cost/benefit analysis will be done and presented to the Commissioners Court for review and consideration.

*D. Capital Expenditure Financing*

The County utilizes several basic methods of financing its capital needs: pay-as-you-go from current revenues, fund balance/working capital, and debt. Capital projects will not commence prior to the necessary funds being appropriated.

When cash funding is available, the County may elect to pay for all or part of its capital improvements from the appropriate fund rather than through the issuance of debt. The anticipated benefit of pay-as-you-go financing is a reduced or minimized impact on the property tax rate and utility rates. The use of pay-as-you-go financing may not reduce fund balance below target levels.

Debt financing may include general obligation bonds, revenue bonds, and certificates of obligation, lease/purchase agreements, and other obligations permitted by state law. Capital improvement projects may not be debt -financed for periods longer than the projected useful life of the project or improvement.

*E. Monitoring*

To track the existence, condition, and retirement or disposal of capital assets, the Purchasing Department will utilize various methods to monitor the County's capital assets. A capital asset listing will be sent to each department head for review near the end of each fiscal year in order to determine if the asset is still in service, impaired, or obsolete. The Auditor's Office will perform a periodic review of capital assets to verify the asset is still functional and in use. At least every two years, the County will complete a physical inventory of capital assets and a reconciliation to the capital asset listing. Capital asset records will be retained by the Auditor's Office in accordance with the County's records retention schedule.

*F. Reporting*

A summary and status report on capital projects and expenditures will be included in the monthly financial report presented to the Commissioners Court.

## X. Debt Management

The County will establish guidelines for debt financing to provide needed land, long-term capital additions, and infrastructure improvements while minimizing the impact of debt payments on current and future revenues.

### A. *Use of Debt Financing*

Debt financing, including general obligation bonds, revenue bonds, certificates of obligation, lease/purchase agreements, and other obligations permitted by state law, will only be used to purchase capital assets that cannot be acquired from current revenues or fund balance/working capital. Debt financing may be used to fund infrastructure improvements and additions.

### B. *Debt Financing*

The County will not assume more tax-supported general-purpose debt than it retires each year without conducting an objective analysis regarding the County's ability to assume and support additional debt service. This analysis will include an examination of the costs and benefits of the proposed capital spending and the anticipated impact on the property tax rate. The decision to issue new debt will be based on this analysis, a review of the current and projected conditions of the municipal bond market, and the County's ability to service the new debt.

General obligation bonds (GOs) require voter approval and will be issued to accomplish projects identified in the bond referendum. General obligation bonds will be used to fund capital assets of the County and will not be used to fund current operating expenditures.

Certificates of obligation (COs) may be issued without voter approval to finance any public works project or capital improvement, as permitted by state law. The County may issue certificates of obligation in the event it is more economical than issuing revenue bonds.

Revenue bonds are secured by the revenues of an enterprise fund and require adequate projected revenues to cover anticipated future payments over the life of the bonds. If the County determines it is feasible to issue revenue bonds, it may also be necessary to make adjustments to the County's utility rate structure to maintain required coverage. Coverage requirements, and the need for and level of reserve funds to provide additional security in support of the bonds, are subject to rating agency review and market standards.

Tax notes are issued in anticipation of tax collections, grant proceeds, bond proceeds, or any other lawful purpose. Tax notes are short-term, usually not more than seven years, and are intended to boost cash flows in anticipation of future receipts of funds. The asset(s) to be purchased with tax notes may at times be later incorporated into an issuance of a GO or CO on a similar or related issue.

### C. *Debt Structure*

The term of any debt issuance may not exceed the useful life of the asset funded by the debt. Relative to the issuance of revenue bonds, the term of the debt will also be consistent with the revenue-generating cap of the asset. The maximum term of any debt issue will not exceed 30 years.

The structure of any debt issuance will be designed to achieve the best possible results for the County given current market conditions, etc. Consideration will be given to the term,

amortization schedule, interest rates, yield, pricing, and call provisions.

To achieve a more favorable interest rate, the County will strive to issue bonds in amounts such that the issue is bank-qualified. However, if the County needs to issue debt that is non-bank-qualified, the fact that the issue is so designated will not be a consideration if all other factors support the issuance.

*D. Debt Refunding*

The County's financial advisor will monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. The County may issue an advance refunding if the difference between when the new bonds are issued and the outstanding bonds being refunded are called or paid at maturity is greater than 90 days. If that difference is less than 90 days, the County may issue a current refunding. Pursuant to federal tax law, the County may not advance refund bonds on a tax-exempt basis. There is no limit on the number of times the County may current refund bonds.

As a general rule, the net present value savings of an advance refunding should exceed three percent (3%) of the refunded maturities (including cost of issuance); unless a debt restructuring is necessary.

General obligation refunding bonds do not require voter approval.

*E. Bond Elections*

General obligation bond elections will be determined and set by the Commissioners Court based upon recommendations of the County's financial advisor, bond counsel, and underwriters. An analysis showing the impact of the new debt on the County's tax rate and total debt capacity will be included with each proposal to issue new general obligation bonds.

*F. Method of Sale*

The County will use a competitive bidding process for the sale of debt unless the nature of the issue warrants a negotiated sale. The County may utilize a negotiated sale when the debt issuance is, or contains, a refinancing that is dependent on market timing.

*G. Underwriting Syndicates*

As part of the debt issuance process, the County will partner with qualified and experienced firms. The County will be actively involved in the debt issuance process and will work with the financial advisor, bond counsel, and underwriter(s) to develop and recommend the most appropriate debt financing to meet the County's needs. For any given bond issue, the County may elect to work with a single underwriter or with an underwriting syndicate, which includes several firms and a designated lead underwriter.

*H. Rating Agency Presentations*

Full disclosure of operations and open lines of communication will be maintained with the rating agencies. The County will work with the financial advisor to prepare the necessary materials and presentation to the rating agencies. Credit ratings will be sought from one or more of the nationally recognized municipal bond rating agencies, currently Moody's Investor Service, Standard & Poor's Ratings Services, and Fitch Ratings, based on the recommendation of the financial advisor.

*I. Bond Ratings*

The County will prudently manage the general and enterprise funds in order to maintain or improve the County's bond rating.

*J. Lease/Purchase Agreements*

The County may consider lease/purchase agreements for short-term financing needs when it is the most cost-effective option.

*K. Continuing Financial Disclosure*

The County will comply with all requirements for continuing financial disclosure prescribed by state and federal regulations and County bond ordinances. In order to meet these requirements, the County must annually provide certain updated financial information and operating data to the Municipal Securities Rulemaking Board.

In compliance with SEC Rule 15c2-12, the County is obligated to provide (1) certain updated financial information and operating data annually and (2) timely notice of specified material events to the Municipal Securities Rulemaking Board (MSRB) in an electronic format as prescribed by MSRB. This information is available free of charge via the Electronic Municipal Market Access (EMMA) system at [www.emma.msrb.org](http://www.emma.msrb.org).

The information to be provided includes quantitative financial information and operating data as well as audited financial statements. This financial disclosure must be filed by March 31 of each year.

A material event notice must be filed within ten business days of the occurrence of any of the following:

- Principal and interest payment delinquencies
- Non-payment related defaults associated with outstanding bonds, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions affecting the tax-exempt status of the County's bonds
- Modifications to the rights of bondholders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution, or sale of property securing repayment of the County's bonds, if material
- Changes to the County's credit ratings
- Bankruptcy, insolvency, receivership, or similar event of the County
- Merger, consolidation, or acquisition involving the County, including the sale of all, or substantially all, County assets
- Appointment of a successor paying agent/registrar or, if material, a change in the name of the paying agent/registrar

*L. Post-issuance Compliance*

The County will adopt a separate post-issuance compliance policy and procedures to address the requirements of the Tax Code relative to its debt issuances. These requirements include

restrictions on the use of proceeds, arbitrage yield restrictions, and the arbitrage rebate requirement. In general, these requirements are applicable throughout the period the debt issuance remains outstanding.

## XI. Cash Management and Investments

The County will invest idle operating cash in such a manner so as to ensure the absolute safety of principal, to meet the liquidity needs of the County, and to achieve the highest possible yield in accordance with state statutes and the County's Investment Policy. See ***Cass County Investment Policy*** for more information.

### A. *Investment Management*

- All aspects of cash and investment management will be designed to first ensure the safety of the County's financial assets.
- Cash and investment management activities will be conducted in full compliance with prevailing state statutes and the County's Investment Policy.
- The County will only do business with financial institutions and broker/dealers approved by the Commissioners Court and who have executed a written certification of their review and understanding of the County's Investment Policy.
- The County will design and establish policies relative to a variety of cash and investment management issues as set forth in the County's Investment Policy.
- Investments of County funds will be made with the exercise of judgment and care which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Safety of the investment principal and liquidity needs of the County must be taken into account before yield may become a consideration in the investment process. Speculative investments are prohibited.

### B. *Investment Strategy*

The County will implement an investment strategy to achieve safety of principal, to maintain adequate liquidity to meet operating requirements, and to achieve a reasonable yield commensurate with the preservation of principal and liquidity. The County will seek to diversify the investment portfolio in terms of investment type and maturity.

### C. *Interest Income*

The County consolidates (pools) a portion of its funds for investment. Interest earned from these investments will be allocated to the funds from which the funds were provided.

### D. *Arbitrage Investments and Reporting*

The investment of bond proceeds will be made in accordance with the same priority order of safety, liquidity, and yield. Bond proceeds will be invested in separate instruments or accounts and not commingled with other investment purchases. Arbitrage rebate calculations will be done for each bond issue, as required, and funds will be set aside for any positive arbitrage. Arbitrage will be rebated to the Federal government when due.

### E. *Collateralization of Deposits*

Pledged collateral on the County's deposits will be held at an independent third-party institution

and evidenced by a written receipt. The type and amount of collateral will comply with the County's Investment Policy. Currently, all deposits will be collateralized at a minimum level of 102 percent of par value. Substitutions of collateral will comply with the County's Investment Policy. Collateral will not be released until the replacement collateral has been received into the County's account.

*F. Reporting*

A quarterly investment report will be prepared and presented to the Commissioners Court in accordance with state law and the County's Investment Policy.

*G. Cash Management of Federal Funds*

Cash management written procedures will address both advance payments and cost reimbursement. The written procedures should include steps involved in obligating, liquidating, and claiming of federal funds.

Protocols for ensure exemption allowance for Federal Funds in a non-interest-bearing account consist of:

- The County will document its claimed exemption to maintain Federal funds in a non-interest-bearing account via memorandum to the grant file.
- During its monthly bank reconciliation, the County will determine and track the potential interest on all Federal funds to ensure it meets its claimed exemption.
- The County will track the interest monthly to ensure it does not exceed the \$500 per year according to the 2CFR Federal Payment Requirements.

## **XII. Grants**

The County will seek, apply for, and effectively administer federal, state, and local grants, which support the County's current and future priorities and policy objectives.

*A. Grant Guidelines*

The County will seek and apply for all appropriate grants consistent with the objectives and priority needs identified by the County or the Commissioners Court. The County will recover indirect costs to the maximum amount permitted by the grant. The County may waive or reduce indirect costs if doing so will significantly increase the effectiveness of the grant. Grant funding may be considered to leverage County funds; however, inconsistent and/or fluctuating grants should not be relied upon to fund ongoing programs. The potential to incur ongoing costs will be considered prior to applying for a grant.

*B. Grant Review and Approval*

All grant submittals will be reviewed for their cash match requirements, their potential impact on the operating budget, and the extent to which they meet the County's goals and policy objectives. If there is a cash match requirement, the source of funding for the matching funds will be identified prior to submitting the grant application. All grant submittals will also be reviewed for any "in-kind" grant match being considered in lieu of a cash match. Since an "in-kind" match requires the use of force account labor, the requesting department will confirm this will not negatively impact existing service levels.

All grant submissions must include an explanation of the need for the grant, the terms of the grant, including reporting requirements, and an analysis of the ongoing maintenance and operations costs that will be incurred by the County upon acceptance of the grant. The department will designate a Grant Administrator for each grant. The Grant Administrator will coordinate all grant submissions with the County Judge or his/her designee. Once a grant is approved, the Grant Administrator will send to the County Auditor's office a copy of the grant application and all grant related documentation.

The County Judge or his/her designee will approve all grant submissions. The Commissioners Court must approve all grant applications.

If the grant opportunity is identified during the budget process, it will be included in the appropriate revenue and expenditure accounts. If the grant is accepted after completion of the budget process, the department applying for the grant funding will work with the County Auditor's Office to prepare the associated budget amendment.

*C. Grant Administration*

The Grant Administrator will provide a copy of the approved grant submission (via email or hard copy) to the County Judge or his/her designee and the County Auditor. Once a grant agreement is signed, the Grant Administrator will provide a copy of the executed agreement to the County Judge or his/her designee. The Grant Administrator will then initiate a meeting with the County Judge or his/her designee, the County Auditor, and any other department members participating in the grant-funded program/expenditure. At that meeting, the roles and responsibilities related to the administration of and reporting for the grant will be established and the appropriate fund and account number(s) will be assigned.

*D. Grant Management*

The Grant Administrator will be responsible for all operational aspects of grant management and will maintain detailed records to ensure maximum reimbursement of grant funds and full compliance with the grant requirements and the Single Audit Act. The Grant Administrator will ensure the following federal and state regulations governing financial management of grant programs:

- 24 CFR § 570 Subpart I- governs the state CDBG-DR program;
- 2 CFR § 200, including all of Subpart E Cost Principles;
- Uniform Grant Management Standards (UGMS) - Texas Comptroller of Public Accounts and guidance under 2 CFR § 200;
- Texas Local Government Code Chapter 171

The expenditure of grant funds will follow all applicable County policies and procedures, including purchasing and bid policies. The Grant Administrator will ensure that all vendors are appropriately bonded and insured. The Grant Administrator will verify that any vendors selected for the grant-funded program/expenditure are not debarred or excluded from providing goods and services under state or federal award programs. The list of vendors debarred from doing business with the State of Texas is available at the website of the Texas Comptroller of Public Accounts (Debarred Vendor List) at:

<https://comptroller.texas.gov/purchasing/programs/vendor-performance-tracking/debarred-vendors.php>.

The Grant Administrator will utilize the Official U.S. Government System for Award Management (SAM) to verify that a potential vendor/contractor has not been excluded or debarred before contracting with that vendor on a federally-funded grant. SAM contains an electronic roster of debarred companies excluded from Federal Procurement and non-procurement programs throughout the U.S. Government (unless otherwise noted) and from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and nonfinancial assistance and benefits. Instructions on how to access SAM may be found at: <http://www.dol.gov/ofccp/regs/compliance/preaward/debarlst.htm>.

*E. Grant Termination and/or Reduced Grant Funding*

In the event of reduced grant funding, County resources will be substituted only after all program priorities and alternatives have been considered during the budget process, unless the County is obligated, through the terms of the grant, to maintain the program or associated positions.

The County will terminate grant-funded programs and associated positions when grant funds are no longer available and it is determined that the program no longer supports County goals and policy objectives or is no longer in the best interest of the County. The County will complete any outstanding obligations following the termination of any grant funding.

*F. Reporting*

While individual departments are responsible for grant applications and program administration and reporting, it is necessary to prepare and maintain an annual report of expenditures related to all outstanding grants. To accommodate the annual audit requirements, the Auditor's Office will prepare an annual report on the status of all outstanding grants. Prior to its finalization, a draft of the report will be reviewed and discussed at a director's (staff) meeting. To accommodate this reporting requirement, the Auditor's Office will reference the following:

- Copy of signed grant application/agreement
- Copy of cancelled checks and invoices for all expenditures funded by the grant;
- Copy of any program reports submitted to the granting authority;
- Copy of any correspondence related to the grant;
- Copy of any other pertinent information related to the grant.

The Auditor's Office will prepare and furnish financial reports to granting authorities as required. Each individual department will be responsible for program administration and related program reporting. These reports will be made available as documentation for the annual grant report provided to the auditors. All records will be main

*G. Federal Grant Compliance*

All costs charged by Cass County must be necessary, reasonable, allowable, and allocable to all Federal and/or State grant programs received administered by the County. The County must assure that all costs are appropriate and eligible including but not limited to the following areas of concern:

- Administrative requirements - Including duplication of benefits requirements, provisions related to charging pre-award costs, conflict of interest, reporting fraud, and distinction between agencies/government components, contractors, developers, and beneficiaries;

- Recordkeeping and Reporting requirements - Including records retention and financial reporting requirements;
- Procurement requirements - Including requirements related to bonding, insurance, suspension, and debarment;
- Contract conditions;
- Force Account - Including requirements for tracking, documenting, and charging personnel costs and applicable fringe benefits and classification, purchasing, tracking, insuring, and disposing of equipment, supplies, and federally purchased tangible and intangible property;
- Contract amendments;
- Contract closeout;
- Monitoring and Quality Assurance - Including requirements related to preventing fraud, waste, and abuse;
- Audit - Including Single Audit or program-specific audit requirements

The following is a list of key federal and state regulations governing financial management of grant programs:

- 24 CFR § 570 Subpart I- governs the state CDBG-DR program;
- 2 CFR § 200, including all of Subpart E Cost Principles;
- Uniform Grant Management Standards (UGMS) - Texas Comptroller of Public Accounts and guidance under 2 CFR § 200;
- Texas Local Government Code Chapter 171

It is The County's responsibility to be knowledgeable and compliant with these requirements to ensure the appropriate, effective, timely, and eligible use of all funds related to Federal and/or State Programs. The County is responsible for monitoring vendors and projects and compliance with applicable financial management standards, for processing payment requests for funds, and for audit review.

A cost objective is a pool of related costs, which could be related based on The County's departments, function, eligible, activity, agreement with State and/or Federal agencies or any other basis. The term is used to capture a variety of scenarios in which costs may be categorized for purposes of cost allocation or eligibility determinations.

As per of 2 CFR § 200.303, The County has established this and other written policies and procedures for internal controls and guidance documentation for responsible financial management of federal and/or state funds and include the adherence to the following:

- All federal, state, and local conflict of interest provisions, including the requirements of Texas Local Government Code Chapter 171;
- The County has an established internal control system and documented segregation of duties. Including the appropriate segregation of duties as follows:
  - No person has complete control over every phase of a significant transaction. For example, the person who authorizes payments to contractors should not draft and issue the payment check and the person who writes a payment check should not reconcile associated bank records;
  - Monthly bank reconciliation and/or direct deposit monthly statements are reviewed by someone who is not responsible for handling cash or issuing

- checks;
  - the person issuing checks for grant expenses does not also handle payroll preparation/issuance of paychecks;
- The County will take prompt action when an instance of noncompliance is identified internally or through audit findings;
- The County takes reasonable measures to safeguard protected personally identifiable information (PII) and other information that The County considers sensitive consistent with applicable Federal, state, and local laws regarding privacy and obligations of confidentiality;

Per 24 CFR § 570.502, through established budgets and accounting records, the County is responsible for ensuring all Federal and/or State expenditures are authorized in an approved, documented budget and do not exceed the total budget amount and do not exceed the amount in the County's grant agreement(s).

The County will only request funds for immediate cash needs, minimizing the time between receipt and disbursement. The County will use one of two general methods available to draw federal and/or state grant funds to pay for project and vendor costs: the reimbursement method and the cash advance method.

- The reimbursement method entails a transfer of grant funds to the County based on actual expenditures already incurred by The County before it requests a draw;
- The cash advance method entails the transfer of grant funds from the federal and/or state agency based upon the County's received invoices before the actual cash disbursements have been made by the County.

The County establishes a separate account for each grant it receives. When using a cash advance basis process, the County will ensure that all received grant funding is held in a secure, interest-bearing account (2 CFR § 200.305(b)). Distinct accounting information for each grant is created. Accurate records of encumbrances/obligations against distinct line items within each grant for vendor contracts are made. Accurate records on grant awards, unobligated balances, assets, liabilities, expenditures, program income (if any) and applicable interest are kept and supported by sources documentation, including vendor contracts, invoices, and purchase orders.

Pursuant to 2 CFR § 200.302(a), the County's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, are sufficient to permit the preparation of reports required to demonstrate compliance with general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of The County's State and/or Federal grant agreement(s).

The County through its annual audit process has proven effective control over, and accountability for, all funds, property, and other assets in its possession. The County makes every effort to adequately safeguard all assets and assure that they are used solely for their intended purpose.

Financial Records for all Federal and/or State grant programs include the following:

- Transaction registry documenting:

- All invoices associated with each Request for Payment; and
- Source of funds for each invoice (grant funds by activity, matching funds, and/or other funds)
- Source documentation, including the following:
  - Copies of Requests for Payment;
  - Addendum record of direct deposit payments;
  - Verification of deposits;
  - Monthly bank statements
  - Check register/transaction ledger;
  - Employee time sheets (as applicable);
  - Equipment time record sheets (as applicable);
  - Property inventory;
  - Purchase orders, invoices, and contractor requests for payments;
  - Electronic Transfer Form (EFT);
  - All original source documents

The County, for each grant agreement received, establishes Responsible Persons. Through resolution, The County identifies the Responsible Persons (at least 2, preferably 4 by job title) responsible for both contractual documents (executed The County agreement(s), associated amendments, and various program certifications) and financial documents (requests for payment, issuance of check).

The County, where allowable by the Federal and/or State funding program, will authorize direct deposits to receive payments from the agency(ies) to post directly to The County's local bank account.

The County will ensure that there exists staff and contractor capacity necessary to manage all grant funds under its control. The County may procure a Grant administrator to assist with management of grant compliance, subject to 2CFR200 procurement guidelines and requirements.

Eligible/Allowable Costs: All costs charged to The County's grant agreement(s) will be deemed eligible as identified in each Grantor's agreement/implementation manual. Eligible costs are those that conform to the federal/state requirements, including limitations and waivers described in applicable Federal Register Notices, comply with federal cost principles, and align with all associated cross-cutting federal requirements (Davis Bacons and Related Acts, Environmental requirements, etc.) and State and Local law.

The County will assure pursuant to 2 CFR § 200.403, costs meet the following general criteria to be allowable as a charge against any Federal award:

- Costs must be necessary and reasonable for the performance of the Federal award and be allocable to that award and not to a different award;
- Costs must conform to any limitations or exclusions set forth in 2 CFR § 200 or in the Federal award as to types or amount of cost items;
- Costs must be consistent with policies and procedures that apply uniformly to both federally financed and other activities of The County;
- Costs must be accorded consistent treatment;
  - A cost may not be assigned to a Federal award as a direct cost if any other cost

incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;

- Costs must be determined in accordance with generally accepted accounting principles (GAAP);
- Costs must be adequately documented

Reasonable Costs (2 CFR § 200.404): A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration will be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of The County or the proper and efficient performance of the State and/or Federal award;
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, and other laws and regulations; and terms and conditions of the State and/or Federal award;
- Market prices for comparable goods or services for the geographic area;
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to The County, its employees, the public at large, the State Government and/or Federal Government;
- Whether The County significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost

The County will insure that all grant reimbursement requests meet the definition of Allocable Costs (2 CFR § 200.405 and § 200.406) A cost is allocable to a particular grant, The County agreement, vendor contract, program or other cost objective if the goods or services involved are chargeable or assignable to that cost objective in accordance with relative benefits received.

This standard is met if the cost:

- Is incurred specifically for that cost objective;
- Benefits both that cost objective and other work of The County and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of The County and is assignable in part to the specified cost objective in accordance with 2 CFR § 200.

Any cost allocable to a particular cost objective may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude The County from shifting costs that are allowable under two or more cost objectives in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Costs should only be charged net of all applicable credits. Applicable credits refer to those receipts or

reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the cost objective. Examples include:

- Purchase discounts;
- Rebates or allowances;
- Recoveries or indemnities on losses;
- Insurance refunds or rebates; and
- Adjustments of overpayments or erroneous charges

To the extent that such credits accruing to or received by The County relate to allowable costs, they must be credited to the State and/or Federal award either as a cost reduction or cash refund, as appropriate. These credits do not constitute program income.

The County will submit a draw request for eligible costs as often as is needed, subject to limitations in grant agreements and at least quarterly throughout the life of a project. The County will submit costs to a Grantor for draw within 60 days of receipt of invoices as allowable. The County will ensure Draw requests are submitted timely to the granting agencies.

Pursuant to 24 CFR § 570.489(c), 2 CFR § 200.305(b), and 31 CFR § 205, The County when utilizing the cash advance method will minimize the time elapsing between the transfer of funds from the Federal or State agency and the disbursement by The County for eligible costs. This period must not exceed 3 business days from the date of receipt/deposit of funds.

### XIII. Intergovernmental Relations

The County will coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing government services on an equitable basis, and support favorable legislation at the state and federal levels.

#### A. *Interlocal Cooperation in Delivery of Services*

In order to promote the efficient and effective delivery of services, the County will actively seek to work with other local jurisdictions to share, on an equitable basis, the costs of services, to share facilities, and to develop joint programs to improve service to its citizens.

#### B. Legislative Program

The County will cooperate with other jurisdictions to actively oppose any state or federal regulation or proposal that mandates additional County programs or services but does not provide the funding to implement them.

### XIV. Internal Controls

The County will establish and maintain a system of internal controls designed to safeguard County assets, ensure the accuracy and reliability of accounting and financial records, promote operational efficiency, and adhere to prescribed policies in compliance with federal and state regulations and County ordinances and policies.

#### A. *Written Procedures*

Wherever possible, written procedures will be established and maintained by the County

Auditor's office for all functions involving cash handling and accounting throughout the County. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.

*B. Segregation of Duties*

The County will strive to maintain appropriate segregation of duties in the conduct of County business in order to reduce the opportunities for any person to perpetrate and conceal errors or irregularities in the normal course of assigned duties.

*C. Training*

The County will ensure that all employees responsible for cash handling and/or financial transactions are familiar with and understand the applicable County policies and procedures associated with these responsibilities. Employees will be properly trained and supervised in the exercise of these duties. See **Cash Handling Policy** for more information.

*D. Fiscal Authority*

The County will implement appropriate levels of fiscal authority and will design, implement, and maintain procedures to ensure financial transactions and activities are properly reviewed and authorized.

*E. Signature of Checks*

All County checks will require two signatures. Two persons will be authorized to sign checks: the County Treasurer and the County Auditor.

*F. Electronic Payment Vouchers*

The County makes payments electronically to those vendors who enroll for the service.

*G. Bank and Investment Statement Reconciliations*

The County Treasurer will receive, reconcile, and initial the monthly bank and investment statements. The completed bank and investment statement reconciliations will be reviewed and approved by the Controller. The County Auditor will then perform a final review of the bank reconciliation application in the County's financial software system to check for unusual activity and to ensure there were no modifications made to the banking activity.

To mitigate the County's exposure to the inherent risks of limited segregation of duties, the employee who completes the bank reconciliations should not handle cash or prepare related cash or adjusting entries.

*H. Recordkeeping*

The County will design, implement, and maintain procedures to ensure financial transactions and events are properly recorded such that all financial reports are current, accurate, and up-to-date.

*I. Safeguarding Assets and Financial Records*

The County will design, implement, and maintain procedures to ensure appropriate and adequate safeguards exist over the access to and use of financial assets and records. These measures will be designed to protect the County's assets from unauthorized access, fraud or theft.

*J. Internal Audits*

The County Auditor's office will conduct internal audits to ensure compliance with established procedures and proper valuation of recorded amounts. All finance directives and any recommendations resulting from either an internal audit or from an external independent audit should be reviewed, addressed, and implemented by the department director as quickly as possible.

*K. Annual Review*

The County will conduct an annual review of the system of internal controls and will make any appropriate changes or modifications to improve the controls.

## **XV. Economic Development**

The County will initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy and tax base. The County will account for all financial commitments made in connection with economic incentives granted to developers.

*A. Commitment to Expansion and Diversification*

The County will encourage and participate in economic development efforts to expand Cass County's economy and tax base, to increase local employment, and to invest when there is a defined specific long-term return.

*B. Tax Abatements*

The County will follow its established tax abatement policy to encourage commercial and/or industrial growth and development. The County will balance the long-term benefits of tax abatements with the short-term loss of tax revenues prior to the granting of the abatement. Factors considered in evaluating proposed abatements for development include the location of the project, its size, the number of temporary and permanent jobs created, the costs and other factors specified in the County's Tax Abatement Guidelines Summary.

XVI. Attachment A. Resolution to Adopt

**RESOLUTION OF THE COMMISSIONERS' COURT OF CASS COUNTY  
FOR THE ADOPTION OF THE  
FINANCIAL MANAGEMENT POLICY**

STATE OF TEXAS        }  
                                  }  
CASS COUNTY            }

**RESOLUTION FOR THE ADOPTION OF THE 2026  
CASS COUNTY FINANCIAL MANAGEMENT POLICY**

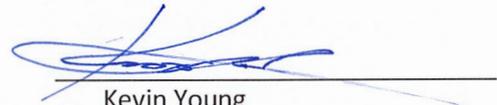
**IN WITNESS WHEREOF**, the Commissioners' Court of Cass County has approved and adopted the 2026 Cass County Financial Management Policy in a duly posted meeting on this 10th day of February, 2026.



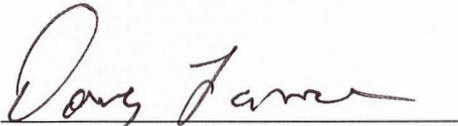
R. Travis Ransom  
County Judge



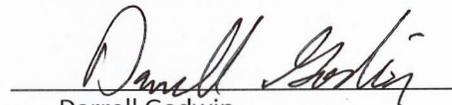
J. Brett Fitts  
Commissioner, Precinct 1



Kevin Young  
Commissioner, Precinct 2

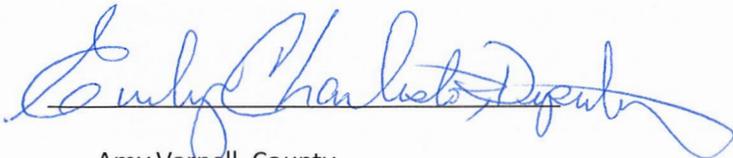


W. Doug Lance  
Commissioner, Precinct 3



Darrell Godwin  
Commissioner, Precinct 4

ATTEST:



Amy Varnell, County  
Clerk Cass County

