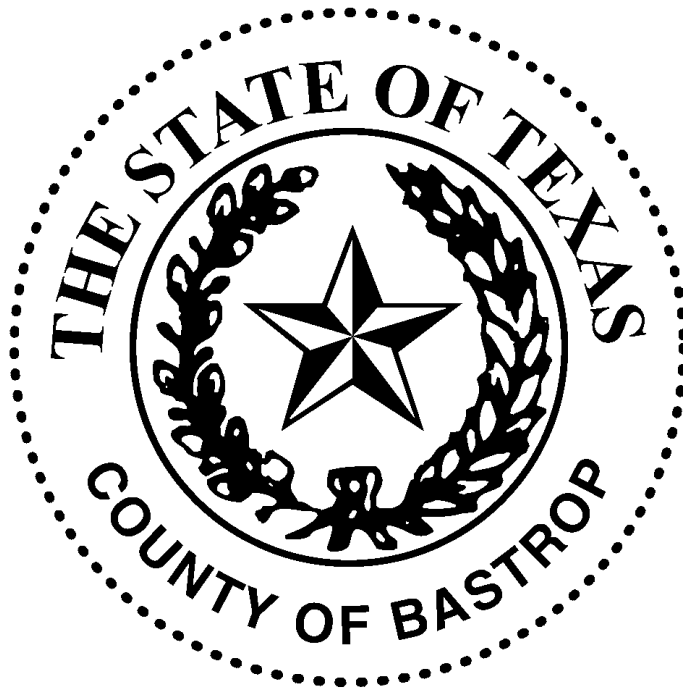


# **BASTROP COUNTY FINANCIAL POLICY**




Bastrop County Commissioners Court  
February 10, 2025

County Of Bastrop  
Financial Policy Certificate  
October 1, 2024 through September 30, 2025

STATE OF TEXAS  
COUNTY OF BASTROP

We, Gregory Klaus, County Judge  
Butch Carmack, Commissioner Precinct 1  
Clara Beckett, Commissioner Precinct 2  
Mark Meuth, Commissioner Precinct 3  
David Glass, Commissioner Precinct 4

of Bastrop County, Texas do hereby certify that the attached Financial Policy is a true and correct copy of the Financial Policy for fiscal year 2024/2025 for Bastrop County, Texas, as passed and approved by Commissioner’s Court of Bastrop County on the 10th day of February, A.D., 2025, as the same appears on file in the office of the Bastrop County Auditor.

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Gregory Klaus, County Judge

Signed by:  
  
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Butch Carmack, Commissioner Pct. 1

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Clara Beckett, Commissioner Pct. 2

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Mark Meuth, Commissioner Pct. 3

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David Glass, Commissioner Pct. 4

## **BASTROP COUNTY**

### **STATEMENT OF FINANCIAL GOALS AND POLICIES**

#### **ORGANIZATIONAL GOAL STATEMENT**

The overall financial and service goals of the County are to provide the full range of statutorily required services to its citizens while maintaining the lowest prudent property tax rate. The County intends to continue to expand non-tax revenues to allow for budgetary growth as dictated both by the growth in the County's population and the growth in the demand for the County's services. The County will ensure that budgetary growth is balanced by increases in demand for services. The County will provide for expansion and renewal of its infrastructure through the use of long-term debt when it is considered appropriate and fiscally responsible.

#### **I. GENERAL POLICIES**

The County will operate on a fiscal year which begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup>.

The County will conduct its financial affairs in conformity with State and Federal laws, and this Statement of Financial Policy, which shall be approved by Commissioners Court and reviewed on an annual basis as part of the budget process.

#### **II. ACCOUNTING, AUDITING, AND FINANCIAL PLANNING**

The County Auditor's Office will continue to maintain records on a basis consistent with accepted principles and standards for local government accounting, as determined by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

Regular monthly and annual financial reports are issued summarizing financial activity by fund and department, and comparing actual resources and expenditures with budgeted amounts

A financial audit will continue to be performed annually by an independent public accounting firm and an official opinion and annual financial report will continue to be published and issued.

#### **III. BUDGETING**

The County's budgetary foundation and accounting records are maintained on a modified accrual basis and organized and operated on a fund basis in accordance with generally accepted accounting principles (GAAP). Encumbrance accounting is utilized for materials, goods and services documented by purchase orders or contracts. The approved annual budget with amendments as

approved by the Commissioners Court is the management control device utilized by the County. Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service funds. All annual appropriations lapse at fiscal year-end. Encumbrance accounting, under which funds are reserved from purchase orders, contracts, and other commitments, is employed in these funds and as of September 30<sup>th</sup>, encumbrances are subject to re-appropriation in the budget of the subsequent year.

The County budgets resources on a fiscal year which begins October 1<sup>st</sup> and ends the following September 30<sup>th</sup>.

Budget reports are distributed for budget preparation to County Departments annually. Departments and Elected Officials are given a timeframe to complete their budget requests.

The proposed budget shall be prepared and distributed to the Commissioners Court for review and approval on or before September 30<sup>th</sup> of the preceding fiscal year.

#### **IV. BUDGET AMENDMENT**

The Commissioners Court may spend County funds only in strict compliance with the budget. The Court by order may amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure.

#### **V. REVENUES**

The County shall maintain a stable and diversified revenue system to protect it from short-term fluctuations in any single revenue source. The County, whenever applicable, shall establish user fees and charges permitted by law at levels associated with the direct and indirect costs of providing those services. Furthermore, the County shall annually evaluate these fees and charges to assure that total costs are covered and adjust them accordingly to keep pace with the cost of providing those services.

Further, the County will pursue the enactment of new legislation, when deemed appropriate, to permit changes in user fees and charges, aggressively collecting ad valorem property tax revenues, including filing suits when permitted by the Texas Property Tax Code.

Bastrop County shall restrict its reliance on non-recurring revenue sources to promote fiscal responsibility. The County shall monitor intergovernmental grant revenue when approving grants that may ultimately result in 100 percent county funding.

The County will pay for all current expenditures with current resources as required by Article XI, Section 7 of the Constitution, and by Article 111.091-111.092 of the Revised Statutes of Texas.



## **VI. PERSONNEL**

The number of employees on the payroll shall not exceed the total number of positions approved unless authorized by Commissioners Court. All personnel actions shall at all times be in strict conformance with applicable federal, state, and county policies.

The Court may institute a freeze during the fiscal year on hiring, promotions, transfers and capital equipment purchases. Such action will be used arbitrarily and will allow for exceptions in appropriate areas to comply and emergency needs such as natural disasters and/or loss of major revenue source.

## **VII. PROCUREMENT & FIXED ASSETS**

Bastrop County has established a centralized purchasing office to ensure compliance with the county purchasing act. The purchasing office follows protocols established and adopted in the Bastrop County purchasing manual.

All purchases of physical assets with a value of \$500 (five hundred dollars) except computer software shall be placed on the County inventory.

Each elected official and department head is responsible for ensuring that assets are tracked and secured in a manner that is most likely to prevent theft, loss, damage or misuse of assets. County property may be used for county purposes only.

Capital expenditures for projects and equipment are budgeted by item or project and must be spent accordingly. Any requests for unbudgeted capital equipment or projects throughout the fiscal year must be submitted and approved by the Commissioners Court.

## **VIII. DEBT MANAGEMENT**

Bastrop County has an adopted debt policy that sets forth the parameters for issuing debt and managing outstanding debt. It provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated.

## **IX. BONDED DEBT**

The County issues bonds and capital leases to provide funds for the acquisitions and construction of major capital facilities and equipment.

The County acknowledges and will abide by any federal or state law regarding tax-exempt bonds.

The County will adhere to the following specific policy statement with regards to (1) separate record keeping per bond issuance; (2) not mingling bond issuance money; (3) the use of bond proceeds only for their approved purposes; (4) the intent to use bond funds within three (3) years of

issuance; (5) meeting post-issue reporting requirements; (6) keeping interest earned with bond principal or debt service; (7) maintaining an interest and sinking fund for all tax-exempt debt; and (8) maintaining the tax-exempt status of all outstanding bonded debt of County.

#### **X. INVESTMENT AND CASH MANAGEMENT**

Bastrop County maintains a County Investment Policy, as approved by the Commissioners Court, to achieve the highest and best yield, while at the same time, maintaining the security and integrity of said funds.

The Treasurer's Office will continue to collect, disburse, and deposit all funds on a schedule which insures optimum cash availability, in accordance with Article 113.043, 113.065, 113.901, 113.001-005, 113.021-024, and 113.041-047.

The County Treasurer shall handle all original reconciliation of the County bank accounts with the Depository Bank and shall resolve any financial difference between the County and the Depository Bank.

The County conducts its treasury activities with financial institution(s) based upon written contracts which specify compensating balances, service charges, term, and other conditions as authorized by the Local Government Code inclusive of the Revised Statutes of Texas.

#### **XI. GENERAL FUND UNRESERVED FUND BALANCE**

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning. In most cases, discussions of fund balance will properly focus on a government's general fund.

Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unreserved fund balance for state and local governments.

Bastrop County Commissioners Court adopted the policy of maintaining three (3) months operating expenses in the General Fund, fund balance. This policy will facilitate the county in maintaining a solid financial standing.

#### **XII. INTERNAL GUIDELINES FOR MANAGEMENT OF FEDERAL AND/OR STATE FUNDS**

All costs charged by the 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:
  - o 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;
  - o Monthly bank reconciliation and/or direct deposit monthly statements are reviewed by someone who is not responsible for handling cash or issuing checks;
  - o 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 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 an insured, 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:
  - o All invoices associated with each Request for Payment; and
  - o Source of funds for each invoice (grant funds by activity, matching funds, and/or other funds)
- Source documentation, including the following:
  - o Copies of Requests for Payment;
  - o Addendum record of direct deposit payments;
  - o Verification of deposits;
  - o Monthly bank statements
  - o Check register/transaction ledger;
  - o Employee time sheets (as applicable);
  - o Equipment time record sheets (as applicable);
  - o Property inventory;
  - o Purchase orders, invoices, and contractor requests for payments;
  - o Electronic Transfer Form (EFT);
  - o 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 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 deposit 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;
  - o 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, 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.

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 5 business days from the date of receipt/deposit of funds.