

# BARNSTABLE COUNTY

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FINANCIAL POLICY AND MANAGEMENT REVIEW

NOVEMBER 2021



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

**DLS | Financial Management Resource Bureau**

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# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

November 29, 2021

County Commissioners  
Barnstable County  
3195 Main Street  
Barnstable, MA 02630

Dear County Commissioner's,

I am pleased to present the enclosed Financial Policy and Management Review for Barnstable County. It is my hope that our guidance provides direction and serves as a resource for county officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Financial Management Resource Bureau Chief, at (617) 626-2358 or [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin  
Senior Deputy Commissioner



# TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>1</b>
<b>FINANCIAL OBSERVATIONS.....</b>	<b>7</b>
Adopt Financial Policies .....	7
Establish a Financial Audit Corrective Action Plan.....	11
Expand and Enhance Munis Utilization .....	11
Develop Financial Planning Tools.....	12
Standardize Receipt Turnover.....	13
Review County Service Offerings and Fee Schedules .....	13
Seek Professional Development and Training .....	14
Enhance the County Website.....	15
<b>ACKNOWLEDGMENTS .....</b>	<b>17</b>
<b>APPENDIX .....</b>	<b>18</b>
Regional Services .....	18
<b>POLICY SAMPLES.....</b>	<b>19</b>
Annual Budget.....	20
Capital Planning .....	24
Debt Management .....	28
Fund Balance and Financial Reserves .....	32
Forecasting.....	35
Antifraud .....	38



## INTRODUCTION

At the request of the Barnstable County Commissioners, the Division of Local Services Financial Management Resource Bureau completed this financial policy and management review. To assess the county's financial management policies, practices, and procedures, we met with several county officials from the commissioners' office, including a commissioner, the administrator, human resources and payroll personnel, and with various officials from the finance department. We also examined various documents, including the county home rule charter, budget documents, financial policies, annual reports, audit reports, and other financial records.

Barnstable County is one of the oldest counties in the United States and one of six remaining counties in Massachusetts. The Cape Cod Regional Government, known as Barnstable County, encompasses the 15 Cape communities of Bourne, Sandwich, Falmouth, Mashpee, Barnstable, Yarmouth, Harwich, Dennis, Brewster, Chatham, Orleans, Eastham, Wellfleet, Truro, and Provincetown. The county is known for its expansive coastline, beaches, and recreation activities, which forms its focus on regional issues and resources that impact coastal waters, environment, and public health. It has a service economy catering to both a large population of tourists and retirees while providing and maintaining regional facilities including a courthouse and registry of deeds. Barnstable County also supports member communities with services such as procurement, information technology, and maintenance dredging.

The current government structure was established when the Governor executed the Barnstable County Home Rule Charter on July 16, 1988, and it was accepted by the member voters on November 8, 1988. Executive orders are implemented by a three-member board of county commissioners elected to four-year staggering terms. The commissioners' primary responsibilities include preparing the annual operating budget, providing oversight to county agencies and property, and appointing a county administrator. Legislative powers are vested in the assembly of delegates consisting of 15 members, one elected from each representative community. The delegates are responsible for adopting ordinances and authorizing the county's annual operating and capital budgets.

The county administrator, as the chief administrative officer, is responsible for the daily supervision of all department and regional agency operations, personnel administration, and contract negotiations. The administrator also compiles and submits the annual operating and capital budgets and prepares regular financial reports. The administrator is supported by human resources, payroll, communications, and assets and infrastructure management in the commissioners' office. The current county administrator was appointed in April 2021. Although new to this position, she successfully led the human services department for 13 years.

The county treasurer serves as the finance director responsible for overseeing all financial affairs. Finance offices include a county accountant, assistant treasurer, chief procurement officer, and grant managers. The county appointed a finance director/treasurer in June 2019; however as of November 2021, finds itself in another period of transition while currently using the services of a retired Cape town administrator as the interim finance director/treasurer.

Barnstable has been able to successfully deliver regional services to its citizens and member towns, which are outlined in the table in the appendix. This was especially important over the last two years dealing with the COVID-19 pandemic. Additionally, the Cape Cod Commission, established by Special Act in 1989, is the regional planning, economic development, and regulatory agency for the county.

Barnstable County has a formal budget process that is being followed by the departments, funneled through the finance director to the administrator, then commissioners, and ultimately approved by the assembly of delegates. General expenses are funded through receipts from various tax assessments, fees, and charges, with the largest source derived through real estate transactions. Over 80% of the revenue is set by rates and formulas controlled by the Commonwealth, which limits the county's ability to raise revenue. Furthermore, excise taxes and registry revenues are greatly influenced by economic conditions and therefore are not expected to increase year over year. However, a growing demand for real estate on the Cape, along with conservative budgeting, has resulted in actual excise taxes exceeding budgeted amounts in seven of the last ten years. Other departmental revenue is derived from technology services provided to several towns, health department lab and sanitation inspection services, and miscellaneous fees and investment income.

As shown in the graphs below, for the FY2022 budget, county deeds excise taxes<sup>1</sup> represent 52.4% and registry fees another 12.2%. Remaining amounts include tax assessments to member towns<sup>2</sup> (17.6%), court rentals (9.1%), and departmental, investment income, reserves, and dredge indirect costs (8.6%). The county sets the lab, departmental, and service fees which represents approximately 5% of operating revenues. County expenses funded by general fund revenues include general administration (21.2%), facilities (13.1%), and services (46.6%). The remaining budget (19.1%) funds public safety training, employee benefits, debt service, and other miscellaneous expenses.

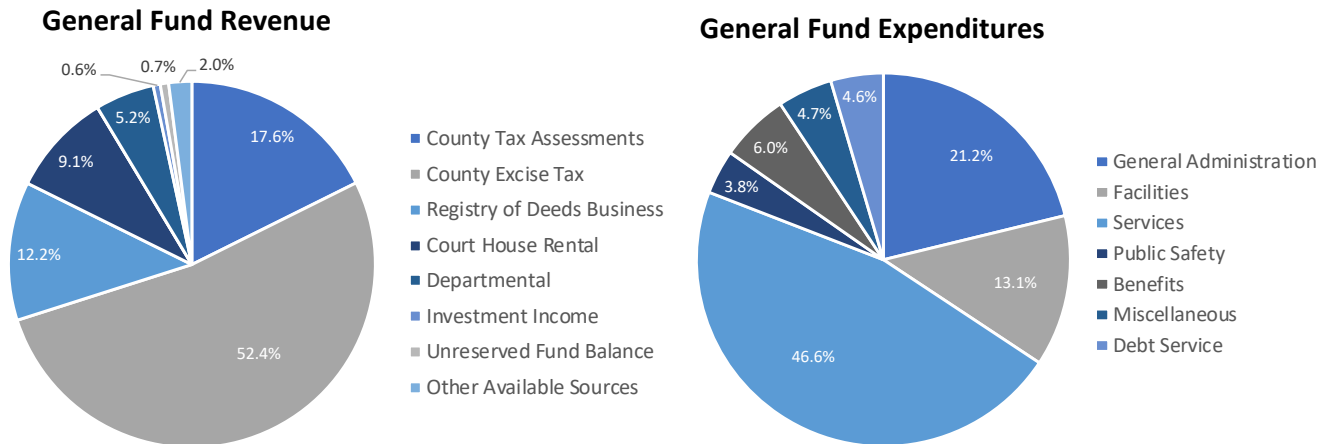
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<sup>1</sup> Effective July 1, 2016 the excise tax rate in Barnstable County is \$6.48 per \$1,000, of which \$3.06 is remitted to the county and the remaining \$3.42 to the state.

<sup>2</sup> The county tax assessment is based on each municipality's equalized valuation as a share of the total county equalized valuation. The tax may be increased up to 2 ½% annually. Approximately one-half the total assessment is dedicated to funding the Cape Cod Commission.



## FY2022 General Fund



Due to special legislation filed on behalf of Barnstable County, the FY2022 budget is the first budget in which the county is not responsible for funding the pension liability for the sheriff's department. The sheriff's office became a state-controlled agency in 2010, however the county retained responsibility for the unfunded liability. In FY2021, this expense was \$1.7M or 7.9% of the budget. Going forward, this expense will be funded through the state's portion of the deeds excise tax.

Separate from the general fund, Barnstable County has two additional operations, the Dredge enterprise fund and the Cape Cod Commission. Each is self-supporting with its own revenue sources, though still follows the same budget development with the same approval process.

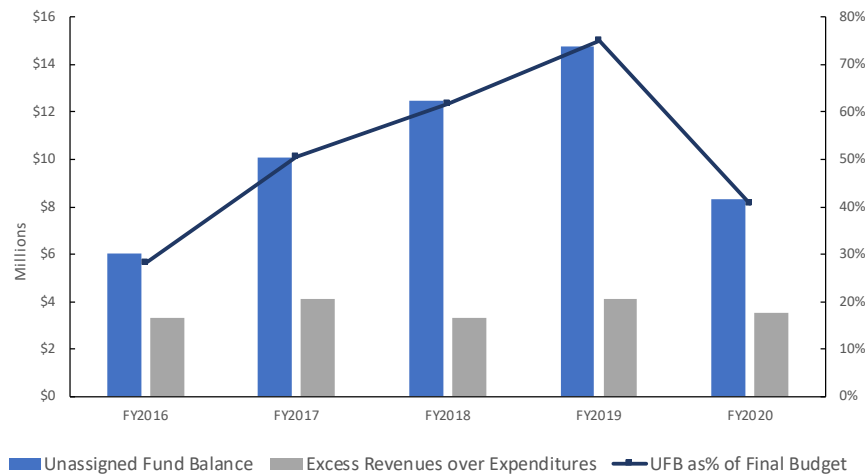
A pivotal point in the financial operations occurred in August 2017 when the State Auditor's Office conducted a performance audit at the request of the commissioners. The audit examined leasing of the county's property, capital expenditure program, and non-payroll expenditures. The findings were consistent in all three areas: a lack of written policies, procedures, and internal controls. Of note for this report, the State Auditor's Office found that the county did not arrange proper financing for its capital projects. While authorized projects included provisions to issue debt to fund them, the county routinely funded the projects using appropriations from the annual operating budget in the general fund. This longstanding practice, beginning in 1996, resulted in unfinished capital projects and deficit project fund balances.

In September 2017, as the audit was being completed, the county took the first steps to address financing capital expenditures. It issued \$4,387,000 in general obligation bonds for 14 projects including building renovations, software licensing, equipment replacement, and dredging. For this issue, S&P Global Ratings assigned a long-term AA rating reflecting the county's strong regional

economy, adequate management and budget performance, and strong budget flexibility and liquidity. Although the leasing and expenditures were not reviewed as part of the scope of this report, it was stated that in the period since the audit, these findings have also been addressed to various degrees with a combination of changing personnel, policies, and written procedures.

In October 2020, to further strengthen the county’s overall finances, the assembly of delegates passed a series of ordinances establishing and funding three stabilization funds<sup>3</sup>. The three funds include a general stabilization fund for any lawful purpose, a capital stabilization fund designated for future capital purposes, and an emergency stabilization fund for unforeseen emergencies. Transfers of \$1M from the unreserved fund balance were made to each fund.

Budget flexibility and liquidity are evidenced by the consistent growth in the unreserved fund balance and consistent excess revenue over expenditures as depicted below. Having followed prudent budgeting practices, the county was able to resolve existing financial issues by using \$6.8M of FY2020 fund balance to cover prior year capital project expenditure deficits. The remaining FY2020 unreserved fund balance of \$8.3M was still over 40% of the final FY2020 budget.



Source: Barnstable County Annual Financial Statements

Preliminary unaudited results for FY2021 show a sharp increase in fund balance. This is primarily due to the rise in collected county excise taxes associated with the current real estate boom throughout the Cape. Overall, general fund revenue reportedly exceeded the budget by \$8.5M or 140%. Expenditures for the year are reported at 90% of the budgeted amount, returning \$2.7M unspent to the fund balance.

<sup>3</sup> The ordinances follow M.G.L. c 40. § 5B which allows stabilization funds for town, cities, and districts.

Significant liabilities facing the county include funding its portion of the Barnstable County Retirement System, along with contributing to its Other Post Employee Benefits (OPEB) trust fund, which is set aside to meet the current and future liabilities of health insurance for the county's retirees and their dependents. Additionally, over the last several years the county has worked to remove chemicals from the water supply relating to the use of per- and polyfluoroalkyl substances (PFAS) at the Fire and Rescue Training Academy. The county settled a case with the Town of Barnstable agreeing to pay \$2.95 million over 20 years and agreed to reimburse the town for future operations and maintenance costs. More recently, the county issued another \$1.4M in a zero-interest loan for clean-up and capping of the contaminated site. Ongoing clean-up work will continue, possibly for several more years, to rid the soil of PFAS.

Over the past 18 months, the county faced numerous challenges as it navigated through the COVID-19 global pandemic, with an unknown financial landscape, required technology enhancements, and essential coordination and delivery of additional health services. Beyond impacts of the pandemic, Barnstable County is in a multiyear period of strengthening its fiscal stability and overall financial management practices. Supporting this effort includes:

- Promoting a long-term county director to county administrator.
- Codifying the administrator position to oversee the daily operations.
- Holding routine, scheduled finance team and department head meetings
- Implementing a detailed budget document that offers transparency and details of county government, its revenues and expenditures, and program offerings.
- Establishing and funding three stabilization funds.
- Issuing debt to finance and finalize lingering capital projects.
- Prioritizing accounting procedures such as reconciling cash and monitoring account balances.
- Engaging a new independent audit firm.
- Enhancing software including Bonfire Strategic Sourcing bidding software and Munis to improve efficiencies including general ledger, budgeting, purchasing, accounts payable, payroll, cash management and contract modules.
- Exploring new tracking software for the septic loan program and water quality testing.

The framework for financial stability is being laid at an opportune time as the county faces several challenges. On the personnel front, the county must select a finance director with the appropriate experience, leadership qualities, and communication skills to coordinate the financial team and activities. The next finance director should be able to foster a team environment to develop strategies to deal with all areas of governmental finance, including forecasting, budgeting, capital planning, as

well as meeting common goals and objectives, while ensuring proper practices and internal controls are in place.

Additionally, the county has significant capital planning and facility upgrade decisions related to the court houses, jail, and the new buildings for the Cape Cod Commission and Cape Cod Cooperative Extension. The county administrator is working on a COVID-19 reopening work plan and space assessment to determine the county's future of work model. Despite having Munis, a fully integrated financial management system, the county still uses several manual, paper-driven processes. Lastly, the ongoing PFAS chemical cleanup from the fire training academy continues to present financial and environmental issues. It will take a solid commitment and collaboration among delegates, commissioners, and county officials to provide solutions and help the county achieve its goal of serving the citizens of Barnstable County.

Moving forward, county officials are tasked with managing \$41.3M in American Rescue Plan Act (ARPA) funds in response to the COVID-19 public health emergency. Made up of 15 Cape Cod communities with varying needs, the county is exploring how best to use the ARPA funds. The county convened an internal working group to stay abreast of the ARPA information releases and to help navigate the intricacies of the federal rules and regulations. They developed a three-phase process to establish priorities, evaluate applications, fund approved projects, and monitor and report according to requirements. The county also engaged an independent accounting firm to oversee the process, monitor the guidelines, and ensure compliance with all the requirements of the ARPA legislation.

## FINANCIAL OBSERVATIONS

### Adopt Financial Policies

The county has a financial management policy document that was created in October 2015 outlining broad policy statements and goals. However, based on the lack of capital planning and debt management practices, and the recent establishment of stabilization funds without clear targets and funding sources, the policies are not providing the guidance required for strategic long-term financial management. As the county continues to implement best practices around budgeting and reporting, we recommend a review, update, adoption, and implementation of the planning policies. Policies should promote accountability, consistency, and transparency and provide direction for the accomplishment of specific goals. A strong financial policy also should be a foundational element of the county's system of internal controls for risk management. Additionally, policy goals should be realistic with thresholds that are obtainable and can be maintained.

Policies should detail the following:

- Applicability – Name the parties responsible (e.g., positions, policy boards) in their statutory or functional capacities
- Scope – Define the specific range of activities or objectives and encompass consensus budgetary goals for the county commissioners and assembly of delegates
- Benchmarks – State how the policy goals will be achieved and measured
- References – Include guiding and regulatory documents such as state and federal laws, charter and ordinances, best practice materials from DLS, GFOA, and the Governmental Accounting Standards Board (GASB)

We highlight specific elements for three fundamental policies: Debt Management, Capital Planning, and Fund Balance and Financial Reserves. Samples of these, plus policies for Annual Budget, Forecasting, and Antifraud are provided after the appendix.

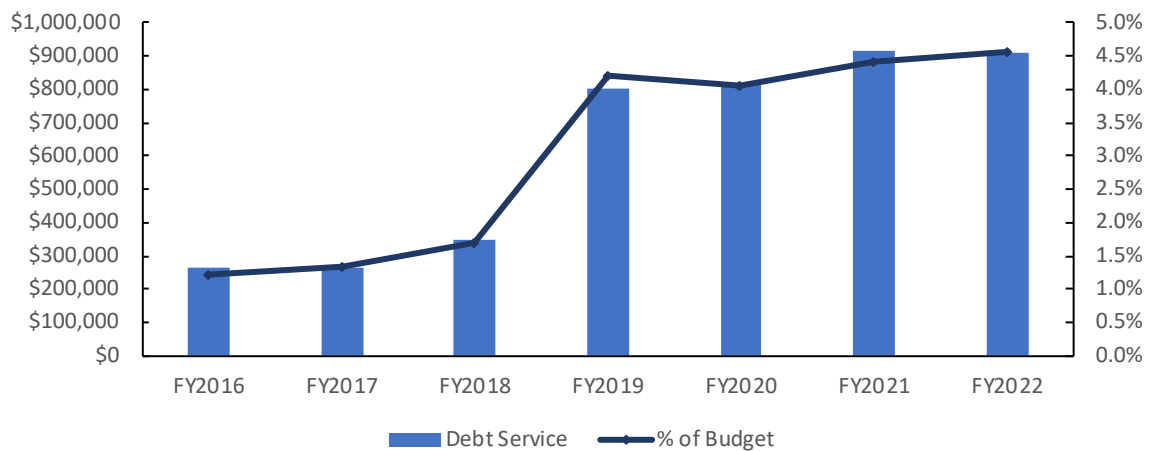
### **Debt Management**

Long-term debt is an appropriate, and within certain guidelines, the preferred source of financing for long-life assets and projects with cost thresholds that would otherwise be unaffordable to pursue in the near term. Municipal entities, including governmental subdivisions of a state, should establish a debt service ceiling to assure those expenses do not become detrimental to long-term fiscal conditions or squeeze out necessary operating expenses. Moreover, debt issuances should be planned for as a steady part of the budget.

To help make the county’s capital funding more predictable and sustainable, the county commissioners should revise and adopt the debt policy with clear goals and objectives to set a debt service target range that can be achieved and maintained. Establishing the appropriate target can be determined using different metrics, or key debt ratios that are central to the policy. The most familiar of these is simply debt as percentage of general fund revenues, or more clearly, how much of the annual budget is being spent on current and future debt. Two additional metrics are the payout ratio and the fixed cost burden that addresses financial flexibility.

1. Debt Service vs. Revenue (Budget)

This key ratio measures debt affordability, or how much of the annual operating budget can be appropriated for existing and potential new debt service. This ratio is commonly used by rating agencies as a measure of capacity. The industry standard for the metric is between 5 and 10%, but a customary Massachusetts target is between 3 and 5%.



Source: Barnstable County General Fund 10-Year View, FY2022 Budget

2. Payout Ratio

This ratio measures how quickly the county retires its outstanding debt. A higher the payout ratio (or amortization rate) preserves the county’s ability to borrow for future capital. The long-term debt payout ratio target is generally between 50 and 65% for a ten-year payout. The county’s only current long-term obligation, issued in 2017, has a 15-year amortization.

3. Fixed Cost Burden

Another way to gauge affordability includes assessing overall financial flexibility using fixed costs as a percentage of the operating budget. Increasingly rating agencies are looking at the total fixed costs, which include pension and OPEB contributions and other current employee benefits, along with debt service. Keeping fixed costs below a 20 to 25% threshold is considered optimal. Fixed

costs in excess of this amount can be considered oversized and have potential budgetary concerns and rating implications.

	Budget	Debt Service	County Retirement	Sheriff Retirement	OPEB	Employee Benefits	Other Insurances	Total Fixed Costs	% of Budget
FY2019	19,148,182	802,219	1,760,183	1,506,576	850,000	2,722,499	278,685	7,920,162	41.36%
FY2020	20,094,317	815,322	1,629,676	1,573,185	50,000	2,668,091	288,245	7,024,519	34.96%
FY2021	20,637,791	913,209	1,870,171	1,672,340	50,000	2,743,663	331,441	7,580,824	36.73%
FY2022	20,094,901	911,293	2,308,274	-	100,000	2,841,817	301,220	6,462,604	32.16%

*Source: Barnstable County General Fund 10-Year View, FY2022 Budget*

Further, the policy should further dictate that the county will recapture for capital purposes the roll off of any maturing debt, either within a new debt issuance or else by appropriating the equivalent amounts to the capital stabilization fund, thereby providing a source for funding future debt service obligations without significant budgetary impact.

**Capital Planning**

The county’s home rule charter outlines a five-year capital improvement plan. Capital planning is further documented by a capital improvement program (CIP) that contains several policy statements and defines a capital improvement committee comprised of the county administrator, assistant county administrator, finance director, and chief procurement officer with responsibility for developing a multi-year capital program. While this is a good start, a comprehensive capital planning policy integrated with a debt management policy is recommended.

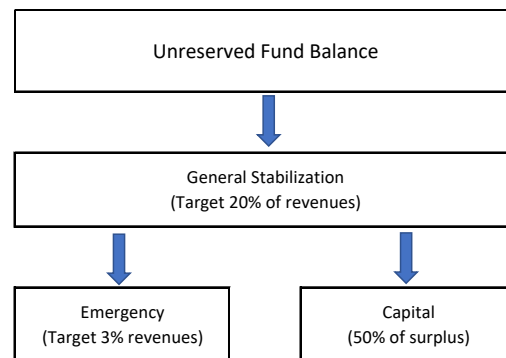
Included in the policy to structure the CIP, we recommend the accountant be charged to work with the department heads to develop and maintain a comprehensive capital inventory of all the county’s assets. An effective capital improvement plan requires the implementation of an asset management program, including a detailed inventory of all county-owned structures, fleet, and other large, durable equipment. Without a proper record of what is on hand, it is difficult to develop a strategy for current and future capital needs. Asset management schedules should include dates of acquisition or last improvement, current condition, and estimated dates for replacement or expansion. When inventory schedules and capital requests are viewed together, county officials can address both the maintenance and care of existing assets as well as the replacement or purchase of new ones.

It is important that the capital plan detail estimated costs and proposed methods of financing, including assessments, fees and charges, state grants and programs, and debt. Looking forward, future capital needs and the impact additional debt will have on the key debt metrics should be included in the plan.

## **Fund Balance and Financial Reserves**

A fund balance policy should establish a target level for the unreserved fund balance and minimum levels for designated reserve funds. Reserve funds are critical to ensuring delivery of services, developing a reliable financing source for smaller, one-time capital or equipment related needs, and helping stabilize finances and maintain operations during difficult economic periods, due to either revenue shortfalls or unexpected expenditures. Determining the appropriate amount of reserves is based on the government's needs, risks, and volatility of revenue sources. The Government Finance Officer Association (GFOA) recommends governments, regardless of size, maintain a general fund unrestricted budgetary fund balance of no less than two months of operating revenues or expenditures, or 16.67%. This minimum standard also applies to any enterprise funds. For a meaningful fund balance policy, compliance with the reserve targets need to be met or exceeded and be expected to remain in compliance within the near-term.

When the county established the three stabilization funds (general, capital, and emergency) and appropriated \$1 million to each, the authorizing ordinance identified broad purposes for each of the funds. The county should adopt a corresponding policy clearly identifying purpose, fund balance levels and replenishment of funds. Fund balance levels should consider the predictability of revenues, volatility of expenditures, need for one-time expenses, and other program support. Revenue sources that are used to replenish reserves include nonrecurring revenues, budget surpluses, and year-end unexpended budgets.



Fund balance is one of the most important factors when rating agencies are evaluating a governmental entity. Ensuring a strong reserve position is critical in achieving and maintaining a high credit rating and thereby help reduce its long-term cost to fund major projects. The current county revenue growth due to registry transactions is an ideal time to build reserves and fund its unfunded OPEB liability. The expected reimbursement of retirement payments made to the Barnstable County Retirement Association on behalf of the former county sheriffs is another source of revenue to reserve.



On the contrary, an unrestricted fund balance in excess of the policy requirement should be reviewed to determine the cause; either a one-time occurrence or due to a structural trend. If it is a trend, the county should consider a policy to address the excess. Nevertheless, an explanation of the fund balance, especially large variances, should be explained. In all cases, use of reserve funds should be prohibited as a funding source for ongoing recurring expenditures.

For an analytical analysis in determining the appropriate level of reserves, the GFOA offers a [General Fund Reserve Calculation Worksheet](#). This tool is based on a risk analysis that considers factors such as extreme events, revenue stability, and expenditure volatility. Using a rating system from very important (5) to very unimportant (1) and adjusted for size, budget practices, and borrowing capacity, the score provides a reserve target level.

### **Establish a Financial Audit Corrective Action Plan**

The charter requires an independent audit be performed annually on the county's finances by a certified public accounting firm. After several years with the same auditor, in FY2020 the county selected a new independent audit firm for a fresh perspective on its financial records. As part of the contract, the county should require a management letter and a presentation of the audit's results before the county commissioners and other policymakers. At the public meeting, the firm would review the financial management letter and identify areas of deficiency, if any. The auditors will also present recommendations for improvements in accounting procedures, internal controls, and other matters. Those in attendance will also have the opportunity to ask any questions regarding the audit. This approach presents an opportune forum to assess the county's financial position and hold financial team members accountable for their performance.

We further suggest the assembly of delegates assign the standing committee on finance audit review responsibilities. Committee members, independent of staff, would review the performance and independence of the audit firm and monitor the county's progress in formulating and implementing corrective action plans in response to issues raised in reports. Once or twice each year, the committee would report its findings to the full assembly, county commissioners, administrator, and finance director. Responsibility to formulate responses and implement action plans would fall to the finance director with the input of finance officers.

### **Expand and Enhance Munis Utilization**

The county has integrated many applications of Munis by Tyler Technologies to help streamline operations and improve effectiveness. Rather than maintain separate applications for payroll,

contracts, and accounts payable, the county invested in Munis, which seamlessly integrates these functions to ultimately funnel data to the general ledger.

However, as with any software, it is only as useful as it is chosen to be used. As technology evolves, self-service is becoming more commonplace for routine activities, including governmental functions. The county is familiar with the Employee Self Service and Vendor Self Service modules, although neither is fully implemented and operational. Munis also offers Citizen Self Service. Many communities have successfully transitioned to these models to eliminate the inefficient process of multiple data entry points, check processing, and responding to routine vendor inquiries.

With Vendor Self Service, vendors manage their own account information, access purchase orders and contracts, request payment for invoices, and view 1099 data. Citizen Self Service is an interactive approach for the county to connect the public to services, applications, and payment transactions and history. Employee Self Service can be used to streamline the payroll process, further decentralizing payroll and eliminating paper timesheets and redundant data entry. It also gives employees access to their personal and employment information, including historical payroll, time accrual, benefits, and tax forms.

All these options streamline processes and free up worktime for finance personnel. Additional modules to consider implementing or expanding are the asset management and fixed asset to strengthen the county's capital planning process, human resources including time and attendance to further enhance personnel reporting requirements, and cashbook and budgeting to improve ongoing activities.

### **Develop Financial Planning Tools**

Financial planning tools like a formal five-year financial forecast integrated with a capital planning component are essential to guide a community's budget process by enabling them to evaluate the impact of various decisions and policy choices, identify challenges, and adequately represent the community's fiscal future.

The current budget document presents several years of historical revenue information along with two prior year's expenditure information as the basis for the current year budget. We recommend that the finance team, under the direction of the finance director, use this information to create a comprehensive multiyear forecast. A forecast will enable the county to promote long-term financial health and strategize for capital investment and service delivery by allowing for various budget scenarios. It allows for the evaluation of the effect of budget choices, including wage increases

offered via collective bargaining and the addition to or subtraction from existing services. A well-developed forecast has the potential to provide surety and stability even more so in times of economic uncertainty.

Capital targets helps local officials monitor capital spending and policy goals by providing a means to track annual and projected spending on maintenance, equipment, and infrastructure. Strategic decisions can be made by tracking current and projected cash capital and debt service funding targets for future budget years. It serves to identify and direct funds to reserves as debt within the levy matures. When integrated with the financial forecast, revenue projections are automatically updated as new information becomes available.

Sample forecasting and capital planning templates for cities and towns can be found on the DLS [website](#). These templates can be used as a guide to convert to the county's needs.

### **Standardize Receipt Turnover**

Services provided by Barnstable County to member towns and citizens of Cape Cod such as IT, septic loan program, and water quality testing require the collection and turnover of receipts to the finance department. Any inconsistencies related to forms or procedures among the various programs in the collection and turnover of receipts can lead to incorrectly recorded ledger entries and misclassified revenues. There are no policies or procedures in place to guide the process resulting in turnovers occurring randomly without regard to amount.

We encourage the county to provide departments with a consistent process, due dates, and dollar thresholds. Most efficient for recording receipts is for each department to use the Munis Payment Entry module, printing a payment proof to deliver to the treasurer with the associated deposit. Short of that, all departments should complete a standard Schedule of Departmental Payments to the Treasurer (i.e., the turnover form), obtain the department head's signature on it, and make an additional copy. In either case, every listed receipt should tie back to a receipt book entry and to the receipt logs maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the finance office or elsewhere.

### **Review County Service Offerings and Fee Schedules**

Regional services offered to member towns consist of procurement, dredging, regional planning, water quality testing, septic loans, police and fire training, counseling, and information technology

(IT) support to name a few. The county should review these services with an eye on possible expansion, specifically in IT support and procurement.

Managing IT is a central component of modern-day municipal government. As technology advances, some Cape communities do not have sufficient investment in both time and resources to manage and maintain their computer infrastructure. Systems and protocols were tested throughout the COVID-19 pandemic which forced communities to address routine operations differently. Therefore, we encourage county officials to examine the IT department with an eye towards possible expansion to bring additional expertise to assist member communities with the ever-evolving IT challenges to maintain, trouble shoot, and secure their computer systems.

A single certified procurement officer handles all internal county procurement needs, as well as cooperative billing for county-wide services. Other activities include outreach to member communities for training on various procurement topics, expanding cooperative bidding, and providing general procurement assistance.

Procurement services must be both strategic and administrative to mitigate the risk of noncompliance with state laws, and like IT, is another area that is lacking in expertise across some Barnstable County towns. Procurement duties generally fall to a variety of individuals, administrators, finance directors, or accountants, with a range of training and proficiency. The county's procurement services and training offers an area to expand and broaden regional services across Cape Cod. Although additional staffing would be required, a larger regional service could ensure compliance with state laws, provide cost savings by aggregating overall volume and decreasing expenditures, and reduce the town time and resources needed for the bid process.

For all services, we suggest that the county annually analyze the fee structure for each program to ensure competitive and fair pricing. With limited revenue sources, the county must ensure its fee structure is reasonable to continue generating business and allow for the maintenance and upkeep of assets and facilities to provide quality services to Cape Cod communities.

### **Seek Professional Development and Training**

Despite the positive strides Barnstable County has made in putting together competent and devoted financial and administrative teams, attracting new hires to municipal government can be a struggle. With new leadership and stability at the top, there is a lot of optimism throughout the county, regrettably, that does not stop vacancies due to retirements and other opportunities. It is essential

that each role's core functions and legal responsibilities are established through the position's job description, classification and grade, hours assigned, and documented procedures.

To develop employees in their current roles and prepare them for possible future positions within the organization, we recommend that the county develop a proactive and systematic approach to professional development and training for the finance team and finance-related committees and subcommittees. By investing time, energy and funds into employee development, the finance team can improve customer service, create efficiencies through appropriate delegation, and assure smooth succession planning. Expanding training to related committees fosters a team approach in and with various offices by establishing an understanding of their responsibilities and interrelationships.

Department heads should meet with employees individually to discuss the breadth of their skills and identify any gaps in an employee's knowledge. These meetings can ultimately serve as a foundational rung on a career ladder, marking progress throughout an employee's continuing educational development. The departments should also dedicate time to hands-on cross-training, especially in critical areas like payroll processing and interdepartmental reconciliations.

Furthermore, we recommend the county support attendance at conferences and trainings provided by the associated professional organizations (i.e., Massachusetts Collectors and Treasurers Association, Massachusetts Accountants and Auditors Association, and their regional counterparts). Likewise, we encourage attendance at general trainings sponsored by the Massachusetts Municipal Association. Training provided by DLS, including online resources available in the [Municipal Finance Training and Resource Center](#) and events like the Municipal Law Seminars, are a valuable resource for all finance officials. By attending the meetings and trainings of these groups, staff can gain concrete, functional information, receive instruction on new best practices in their fields, and interact with and exchange practical tips with their local government counterparts.

### **Enhance the County Website**

A comprehensive and easy to navigate up-to-date website generates public awareness, promotes confidence in government, and offers opportunities for greater citizen engagement. Barnstable County's website provides commissioner, assembly of delegates and staff contact information, departmental listings, affiliate organizations, online payments, internal and external community links, forms and applications, news, and announcements. However, we found the website to be sometimes outdated and one that could be better organized. Locating basic information is difficult with the Google search function going outside the county site for results and returning information not county related. The presentation of financial information, including budgets and financial statements is

inconsistent, with very little historical (meaning just a year or two ago) information available. Finding documents like the home rule charter, ordinances, and policies is difficult at best.

Along with an updated website, we recommend that the county explore additional online tools to promote transparency, foster citizen engagement, and facilitate open data such as a financial dashboard and open checkbook visualization.

## ACKNOWLEDGMENTS

**We spoke with the following individuals as part of this review:**

Mark Forest, County Commissioner  
Elizabeth Albert, Former County Administrator  
Stephen Tebo, Assets and Infrastructure Manager  
Justyna Marczak, Human Resources Director  
Nancy Cushing, Payroll and Benefits Coordinator  
Elizabeth Braccia, Director of Finance/Treasurer  
Stephen Amara, County Accountant/Deputy Director  
Kara Mahoney, Internal Auditor  
Jennifer Frates, Chief Procurement Officer  
William Traverse, IT Director

## APPENDIX

### Regional Services

Department	Mission	Programs
Cape Cod Cooperative Extension	Improve well-being of youth, families, and communities; conserve and enhance natural and marine resources; and strengthen agriculture and food systems	<ul style="list-style-type: none"> <li>▪ Nutrition education</li> <li>▪ Plant management</li> <li>▪ Marine resource development</li> <li>▪ Water quality</li> <li>▪ Pest management</li> <li>▪ Flood prevention</li> <li>▪ Soil samples</li> </ul>
Cape Cod Commission	Protect the unique values and quality of life on Cape Cod	<ul style="list-style-type: none"> <li>▪ Planning</li> <li>▪ Regulatory</li> <li>▪ GIS</li> <li>▪ Transportation</li> <li>▪ Economy</li> </ul>
Children’s Cove	Provide compassionate, comprehensive, and collaborative response services to child abuse victims	<ul style="list-style-type: none"> <li>▪ Assessing services</li> <li>▪ Forensic interview</li> <li>▪ Mental health</li> <li>▪ Family advocacy</li> <li>▪ Medical</li> </ul>
Health & Environment	Promote a healthy Cape Cod	<ul style="list-style-type: none"> <li>▪ Water quality testing</li> <li>▪ Health agent coalition</li> <li>▪ Composting</li> <li>▪ Medical reserve corps</li> <li>▪ Tobacco control</li> <li>▪ Septic loan program</li> <li>▪ Hazardous materials</li> <li>▪ Septic system test and tracking</li> <li>▪ Public health nurse</li> </ul>
Human Services	Plan, develop, and coordinate regional solutions to health and human service issues such as opioid crisis and homelessness	<ul style="list-style-type: none"> <li>▪ Substance use</li> <li>▪ Homelessness</li> <li>▪ Chronic disease</li> </ul>
Dredge	Offer dredge services at a reduced rate in all Cape coastal areas	<ul style="list-style-type: none"> <li>▪ Coastal dredging</li> <li>▪ Beach re-nourishment</li> </ul>
Public Safety Training	Support municipal fire and police departments through specialized regional training	<ul style="list-style-type: none"> <li>▪ Fire training</li> <li>▪ Police academy</li> <li>▪ AmeriCorps</li> </ul>
Information Technology	Provide high quality advice and support in technology and communications	<ul style="list-style-type: none"> <li>▪ Hardware</li> <li>▪ Software</li> <li>▪ Communication</li> <li>▪ Technology improvements</li> <li>▪ Support</li> <li>▪ Training</li> </ul>
Registry of Deeds	Handles all property records for Barnstable County	<ul style="list-style-type: none"> <li>▪ Real property title</li> <li>▪ Property transfers</li> <li>▪ Public records</li> </ul>
Purchasing Division	Maintain a centralized purchasing system of goods and services for the county and member towns	<ul style="list-style-type: none"> <li>▪ Bid opportunities</li> <li>▪ County contract pricing</li> </ul>



**POLICY SAMPLES**

# ANNUAL BUDGET

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## INTRODUCTION

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

## PURPOSE

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To promote transparency, procedural consistency, and fiscal sustainability, this policy establishes guidelines for developing, documenting, adopting, monitoring, and reporting the annual budget. As the County's central policy document, the budget prioritizes annual and longer-range objectives and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the County and its member towns and residents, explaining how funds are to be raised and allocated for the delivery of services.

## APPLICABILITY AND SCOPE

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Applies to:	<ul style="list-style-type: none"><li>▪ County Administrator, County Commissioners and Assembly of Delegates in their budget decision-making roles</li><li>▪ Finance Director/Treasurer and Accountant's budget analysis and reporting duties</li><li>▪ All department heads with spending authority</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Annual budget development, documentation, and adoption processes</li><li>▪ Ongoing budget monitoring processes</li></ul>

## POLICY

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County officials will work together to prepare balanced operating and capital budgets for approval by the Assembly of Delegates. The creation of the budget will be guided by and reflect the Barnstable County Home Rule Charter and adopted financial planning policies. These provisions include procedures on the budget submission timeline, budget message, annual policy statement, budget presentation, and adoption.

Annual operating budgets shall be recommended to the Assembly of Delegates on a balanced basis, where operating revenues are used to fund operating expenditures. Where available, one-time or nonrecurring revenues that are not restricted by law, contract, or other provision will be used for nonrecurring commitments, such as addition to County reserve funds; mitigation of contingent liabilities; or supplemental capital costs. Budget amendments and transfers shall be made as authorized by the Assembly of Delegates, or as authorized by the Commissioners as is provided under Charter provisions.

The County will follow the provisions of the Charter regarding a Capital Improvement Plan. The Capital Budget will include the preparation of a 5-year capital improvement plan as well as timelines and a process for inclusion in the annual operating budget.

All parties applicable under this policy are expected to comply with the milestone deadlines in the annual budget calendar when they are set each year. As part of this, department heads will provide the Finance Director with all information needed for the creation of an informative budget document.

#### A. Budget Goals

At minimum each year, the County's budget goals will include the following:

- General fund – The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unanticipated issues that could potentially affect the County's fiscal health.
- Capital investment — To pay for items in the capital plan, the County will strive to achieve and maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Additionally, the County will plan to regularly fund, within departmental operating budgets, the maintenance costs for equipment, facilities, infrastructure, and other capital assets to maximize their useful lifespans.
- Business-type activities – For the Cape Cod Commission and dredge enterprise fund budgets, the County will attempt to set user charges and fees sufficient to recover all their associated direct and indirect costs so as to avoid or minimize any general fund subsidies.

#### B. Principles for Balanced and Sustainable Budgets

The Finance Director, at the direction of the County Administrator, will prepare an annual budget proposal for the approval of the County Commissioners and final adoption by the Assembly of Delegates. To assure the creation of a budget that is both balanced and sustainable for future years, the Finance Director and County Administrator will apply the following principles:

1. The County will strive to maintain a diversified and stable revenue system, as permitted by law, to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of economic downturns.
2. Recurring revenues (e.g., Town assessments, Registry of Deeds estimated receipts, service fees and charges, state aid and transfers in from other funds established for recurring operating purposes) will be sufficient to support recurring expenditures (e.g., employee wages and benefits, ordinary maintenance and operating expenses, contracted costs, debt service).
3. The year-to-year increase of actual revenue from assessments to the member Towns shall not exceed 2.5%.

4. State and local estimated receipts used for budgeting purposes shall be conservative and should not exceed 90% of the prior year's actual collections without additional analysis and supporting conclusions.
5. Departmental fees and user charges shall be evaluated annually and adjusted as deemed necessary to respond to changes in costs of providing the service, while considering affordability.
6. Potential new sources of revenues will be explored to ensure the County is maximizing its revenue potential.
7. The County will avoid using any nonrecurring revenue to fund ongoing services, including available fund balance, unless necessitated by exceptional circumstances, and any such usage will require the Finance Director to document a plan to replace this source in future years.
8. Revenues shall only be used as prescribed by law, contract, or otherwise provided or restricted.
9. All departmental budgets will be prepared to reflect the full costs of providing the services and list the proposed and prior-year actual employee allocations.
10. Commitments to new wage increases and service enhancements can be considered after core services have been secured with recurring revenue.
11. When a forecast predicts annual revenues to exceed annual expenditures, the following options should be considered for the excess revenue:
  - Building up reserve fund target levels
  - Reducing debt
  - Advancing deferred capital expenditures
  - Restoring services reduced from prior years
  - New initiatives

#### C. Budget Calendar

The annual budget process begins in the fall with the Finance Director's forecast presentation to the Commissioners, and it ends with the Assembly of Delegates adoption no later than June 30. The County Administrator will coordinate a budget process that enables early identification and review of major policy issues and allows adequate time for public input and analysis of options, leading to the timely publication of the budget document.

At the start of the process each year, the County Administrator will establish specific calendar due dates for each of the sequential tasks, from estimating initial revenue projections, sending out appropriation guidelines and returning departmental requests, updating the capital improvement plan, compiling a working budget, and completing the finalized budget proposal, holding hearings, reviews and approvals at different levels, to printing and distributing the warrant. The County Administrator will distribute the calendar to all applicable parties.

#### D. Budget Document

The County Administrator and Finance Director will produce a transparent and reader-friendly budget document that presents short- and long-term strategic objectives and explains fiscal challenges. It will incorporate narrative information on departmental and organizational goals, the plans and resource allocations needed to meet them, graphical information about available finances, analyses

of revenues and expenses, a detail accounting of outstanding debt, and a summary of the County's capital plan. As a guide for valuable information to include in the document, the Finance Director will refer to the standards laid out by the [Government Financial Officers Association](#) (GFOA) in its Distinguished Budget Presentation Award program.

E. Budget Monitoring

The Finance Director and Accountant will continually monitor the budget and provide regular formal reports to the County Administrator, Commissioners, and Assembly of Delegates. Budget-to-actual revenues will be reported at least quarterly to ensure timely budget adjustments, if needed, and thereby prevent any potential revenue deficit. Budget-to-actual expenditure balances will be reported monthly to ensure that the total of expenditures and purchase commitments in any account does not exceed the authorized budget for that account.

The County will take immediate corrective actions if at any time during the fiscal year expenditure or revenue estimates indicate a projected operating deficit by year-end. Corrective actions can include, but are not limited to, hiring freezes, expenditure reductions, layoffs, or use of contingency funds.

**REFERENCES**

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Barnstable County Home Rule [Charter](#) Article 5, Sections 5 -2 through 5 - 6

Barnstable policies on Capital Planning, Debt Management, Fund Balance and Financial Reserves, and Forecasting.

Government Finance Officers Association Best Practices [Achieving a Structurally Balanced Budget](#) and [Financial Forecasting in the Budget Preparation Process](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## CAPITAL PLANNING

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### INTRODUCTION

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The County is committed to providing an annual Capital Improvement Program (CIP) to aid in the decision-making process for the annual budget and ensure the adequate maintenance, acquisition and construction of capital projects. A CIP provides a blueprint for planning capital expenditures and is one of the most important responsibilities of local government officials. It coordinates county planning, financial capacity, and physical development.

A CIP is composed of two parts—a capital plan and a capital budget. The capital plan is a county planning and fiscal management tool that spans five to ten years. The capital plan identifies capital items, which are typically defined as tangible assets or projects that cost more than a certain threshold and that have a minimal useful life span, provides a planning schedule, and offers financing options. The capital budget is the upcoming year's spending plan for capital items that is presented to the delegates for approval.

### PURPOSE

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To effectively maintain the County's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the County meet its capital needs despite limited resources.

### APPLICABILITY AND SCOPE

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Applies to:	<ul style="list-style-type: none"><li>▪ County Commissioners, Assembly of Delegates, and Capital Improvement Committee in their budget decision-making roles</li><li>▪ Accountant job duties</li><li>▪ All department heads in planning for and requesting capital projects</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ All current and proposed capital projects for assets owned by the County.</li></ul>

### POLICY

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The County will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the County will maintain an annually updated, five-year plan for capital improvements. The County will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods, as necessary.

The Capital Improvement Committee, comprised of the county administrator, assistant county administrator, finance director, and chief procurement officer, is charged to oversee Barnstable County's capital improvement program. This involves maintaining a capital asset inventory, identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the County's budget limitations.

#### A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$25,000 and to have or to extend five or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, and stormwater drains
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under long-term capital leases
- Bulk purchases of similar items, like software, furniture, or equipment with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding \$25,000

#### B. Inventory

To support a systematic acquisition and replacement schedule, the Finance Director will maintain and annually update a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates. The Accountant will provide the capital asset inventory to the Capital Improvement Committee when requested as part of the annual budget process.

#### C. Evaluation of Capital Projects

The Capital Improvement Committee will review capital project requests submitted by department heads as part of the annual budget process and may hold meetings with individual department heads to discuss them.

When evaluating and deciding on project proposals, the Capital Improvement Committee will consult the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Supports adopted plans, goals, objectives, and policies
4. Stabilizes or reduces operating costs
5. Makes better use of a facility or replaces a clearly obsolete one
6. Maintains or improves productivity or existing standards of service
7. Uses outside financing sources, such as grants
8. Benefits the County's economic base
9. Provides new programs having social, cultural, historic, economic, or aesthetic value

#### D. Multiyear Capital Improvement Plan

At the end of its work, the Capital Improvement Committee will present its analysis with estimated costs, recommendations, and proposed funding sources to the Commissioners and Delegates within an updated five-year capital improvement plan (CIP) that includes the upcoming fiscal year's capital

budget and a four-year projection of need. The Committee will also develop a maintenance and replacement schedule based on the CIP for implementation with the capital budget.

#### E. Capital Financing

Annually, the County will strive to appropriate two to three percent of the annual general fund budget, net of debt, to capital investment allocations, through funding derived from a combination of general fund revenue (assessments, excise tax, departmental income), unreserved fund balance, and stabilization funds. This cash capital funding target is a complement to the debt service maintenance goal defined in the Debt Management policy.

The CIP shall be prepared and financed in accordance with the following principles:

- Available funds (e.g., unreserved fund balance, special purpose stabilization funds) will provide funding sources for capital projects as much as practical.
- Special revenue sources (e.g., grants) shall be evaluated as funding options whenever practical.
- Before any long-term, bonded capital project is recommended, the project's annual operating costs and debt service costs shall be identified.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- In accordance with the County's debt policy, long-term debt funding will be restricted to projects with lifespans greater than 10 years and costs exceeding \$100,000.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- Intergovernmental assistance will be used to finance only those capital improvements that are consistent with the capital improvement plan and priorities, and provided that the operating and maintenance costs have been included in operating budget forecasts.

#### F. Timing

The Capital Improvement Committee will prepare an annual schedule including:

- September - Preparation of a capital package and distribution to departments
- October – Return of current year requests (budget) and future projects (plan)
- November/December - Committee meetings to vet and deliberate capital projects to forward to the Commissioners and Delegates for approval

#### **REFERENCES**

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Barnstable County Home Rule [Charter](#) Article 5, Section 5 - 6

Barnstable County policies on Annual Budget, Debt Management and Fund Balance and Financial Reserves

Division of Local Services (DLS) Best Practices: [Presenting and Funding Major Capital Projects](#)



DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide – Developing a Comprehensive Community Program](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

# DEBT MANAGEMENT

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## INTRODUCTION

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The County recognizes that the foundation of any well-managed program of capital financing is a comprehensive debt management policy. Debt is an effective way to finance capital improvements or to even out short-term revenue flows. For certain capital projects with a long useful life, debt financing is an equitable financing strategy that allows current and future beneficiaries of a capital investment to share in the cost of that improvement. Unlike most personal or private debt, Counties have access to capital at very competitive tax-exempt rates.

A debt policy sets forth the parameters of issuing debt, managing outstanding debt and 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. The debt policy recognizes a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to the debt policy helps the County to maintain a sound debt position and protect its credit rating.

Dramatic increases in debt service also indicate potential problems unless revenue sources increase to keep pace with these additions to fixed costs. Policies to limit debt service to appropriate levels should allow for new projects as old capital projects near the end of their useful life and for the growth of revenues to finance new capital needs. As the upper limit, credit rating agencies consider debt service exceeding 20% of net operating revenues as a potential problem.

## PURPOSE

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To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the County to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and sustain capital investment capacity. It can also help the County to maintain or enhance a favorable bond rating to achieve long-term interest savings.

## APPLICABILITY AND SCOPE

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Applies to:	<ul style="list-style-type: none"><li>▪ County Administrator, County Commissioners and Assembly of Delegates in their budget decision-making roles</li><li>▪ Finance Director/Treasurer's debt management responsibilities</li><li>▪ Accountant's budget analysis and reporting duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ All short- and long-term debt obligations as permitted to be issued under state law, including general obligation bonds, revenue bonds, bond anticipation notes (BANs), revenue anticipation notes (RANs), grant anticipation notes (GANs), and lease/purchase agreements</li></ul>

## POLICY

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Under the requirements of federal and state laws, the County may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to meet short-term cash flow needs. The County may also refinance existing debt. The County will issue

and manage debt obligations in such a manner to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on other services. The County will not issue debt obligations to construct, reconstruct, or purchase capital assets that can be acquired with current revenues.

The County may issue short-term debt (by a BAN, RAN, or GAN) when it is necessary to fund immediate cash requirements, as bridge financing in advance of receiving the anticipated funding. Short-term financing also makes sense when it allows the County to take advantage of a lower interest rate, when savings are to be had from aggregating issuances, or when market conditions are such that postponing the issuance of long-term debt for the greater portion of a project's cost may be a prudent option.

#### A. Debt Financing

In financing with debt, the County will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital projects that cost at least \$100,000 and have a minimum 10 years of useful life or whose useful lifespan will be prolonged by 10 years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. Retire any debt obtained through a BAN no later than six months after the date that its associated capital project is completed. If there is a financial advantage to deferring the issuance of permanent debt, the County will make annual reductions in the outstanding principal as if the permanent debt had been issued. This will prevent the County from carrying any BAN beyond the period in which it is necessary, reduce the interest rate risk the County will face, and help ensure the timely close out of capital projects.

#### B. Debt Limits

The County will adhere to these debt parameters:

1. Total debt service shall be limited to 10 percent of general fund revenues.
2. The County will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
3. Total fixed costs, i.e., debt service, pension, OPEB, and employee insurances shall be limited to 25 percent of general fund revenues.

#### C. Structure and Term of Debt

The following shall be the County's guidelines on debt terms and structure:

1. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
2. The County will limit bond maturities to no more than 10 years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the DLS.
3. The County will seek to maintain an average maturity of County's total outstanding long-term debt at less than 10 years.
4. For new long-term debt, the County will pursue net direct debt service schedules with annual principal and interest payments (net of any reimbursements or dedicated revenue sources) that are sustainable using recurring revenues.
5. Long-term debt shall not be incurred without a clear identification of its financing sources.
6. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
7. Analysis of the predictability and reliability of rate revenues will be completed to determine feasibility of supporting repayment of contemplated debt for business like entities supported by rate payers.
8. Business like operations will support its debt service, unless subsidized from the general fund approved as part of the financing mechanism.

#### D. Bond Refunding

To achieve potential savings on long-term, tax-exempt debt service the County will:

1. Issue debt with optional call dates no later than 10 years from issue.
2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the County's financial advisor to determine the optimal time and structure for bond refunding.

#### E. Protection of Bond Rating

To obtain and maintain a favorable bond rating, the County will:

1. Maintain good communication with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

#### F. Reporting

1. The Finance Director will report to the County Commissioners and Assembly of Delegates on the County's debt status at least annually.
2. The Finance Director will include an indebtedness summary as part of a report on receipts and expenditures in the Annual County Report.

3. The Finance Director or Accountant, with the County’s financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

**REFERENCES**

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[M.G.L. c. 35, § 36A through § 39D](#)

[26 USC § 148](#)

Barnstable County policies on Annual Budget, Capital Planning, and Fund Balance and Financial Reserves

DLS Best Practice: [Understanding Municipal Debt](#)

DLS Borrowing Guidelines: [Asset Useful Life Schedules and Maximum Borrowing Terms](#)

Internal Revenue Service guidance: [Arbitrage Guidance for Tax-Exempt Bonds](#)

Government Finance Officers Association Best Practice: [Refunding Municipal Bonds](#)

**EFFECTIVE DATE**

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This policy was adopted on [date].

## FUND BALANCE AND FINANCIAL RESERVES

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### INTRODUCTION

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Counties maintain reserves in order to provide budgetary flexibility for unexpected events, to withstand financial emergencies, and to protect the County from the usual unevenness in revenue and expenditure patterns that occur with changes in economic conditions. It is important that the County maintain financial flexibility to ensure it is able to react and respond to these challenges without incurring significant financial stress.

Reserves are typically established in three categories:

- Contingency Reserve: A reserve for unforeseen events.
- Restricted Reserve: A reserve dedicated for specific use at some future time.
- Unrestricted Reserve: A reserve that can be used for any purpose.

### PURPOSE

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To help the County stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, the County can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact establishing the County's credit rating and consequently its long-term borrowing costs.

### APPLICABILITY AND SCOPE

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Applies to:	<ul style="list-style-type: none"><li>▪ County Commissioners, Assembly of Delegates, and Capital Improvement Committee in their budget decision-making roles</li><li>▪ County Administrator, Finance Director/Treasurer, and Accountant's job duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Goals for and appropriate use of financial reserves, including unreserved fund balance, operational reserves, and stabilization funds</li></ul>

### POLICY

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The County is committed to building and maintaining its reserves to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. Adherence to this policy will help the County withstand periods of decreased revenues and control spending during periods of increased revenues.

#### A. Unreserved Fund Balance

Unreserved, or unassigned fund balance serves as a useful measure of the County's net resources at the end of the fiscal year. It represents the portion of the fund balance available for appropriation in future periods. The County will target an unreserved fund balance of between 10 – 15% of the general fund operating expenditure budget.

#### B. Reserve Fund

The Reserve Fund is for operational needs and is typically appropriated as part of the annual budget to meet unexpected increases in departmental operational costs, such as legal fees, major equipment repairs and unanticipated increases in service costs. The County will adopt an operating budget reserve fund of between .25 – .5% of general fund expenditures.

C. Stabilization Funds

A stabilization fund is a reserve account allowed by County ordinance to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. The County established three stabilization funds, as detailed below.

**Emergency Stabilization:** Contingency reserves provide emergency funds for catastrophic or emergency expenditures due to a major or significant event, such as natural disaster, an uninsured loss or damage to a capital asset. This fund's minimum target level shall be 3 to 5 percent of the general fund budget.

**General Stabilization:** The County will endeavor to achieve and maintain a minimum balance of 10 to 15 percent of the current operating budget in its general stabilization fund for the purpose of extraordinary or unforeseen expenditures, as an operating reserve in the event of deteriorating economic conditions, and for use in providing liquidity and cash flow. When possible, withdrawals of funds should be limited to the amount available above the 15 percent minimum target. If any necessary withdrawal drives the balance below this minimum, the withdrawal should be limited to one-third of the fund's balance, and the County Administrator and Finance Director will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years through the appropriation of revenues, from the unreserved fund balance, or any other lawful appropriation.

**Capital Stabilization:** A capital stabilization is a type of restricted reserve for the maintenance of assets used to replenish the continuing depreciation or replacement of facilities and equipment. This fund's minimum target level shall be 7 to 10 percent of the general fund budget. By sustaining funding in this type of reserve, the County can balance provide resources for the maintenance or acquisition of facilities or equipment in order to reduce borrowing and related costs.

D. Unfunded Liabilities

Held in trust, these restricted reserves are used to fund an unfunded liability that has been incurred during the current or prior years, but which does not have to be paid until a future year, and for which adequate reserves have not been set aside (i.e., pension and other post-employment benefit (OPEB) obligations).

The County will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. Decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation, including:

- Annually appropriate an amount that is equivalent to 0.25 percent of prior fiscal year county tax assessments.

- Appropriate an incrementally increasing percentage of ongoing revenues each year.
- Determine a specific percentage of unreserved fund balance to appropriate annually.

## REFERENCES

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[M.G.L. c. 32B, § 20](#) and [20A](#)

Barnstable County policies on Annual Budget, Capital Planning, and Forecasting

DLS Best Practices: [Reserve Policies](#) and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Release 17-20: [Stabilization Funds](#)

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#)

## EFFECTIVE DATE

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This policy was adopted on [date].



## FORECASTING

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### INTRODUCTION

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Financial planning provides a useful avenue for communication of the County's financial status for all participants in County government. It engenders a long-range perspective for decision makers; promotes strategic thinking; and can be used as a tool to identify and plan strategies to achieve long-term sustainability of the County's service objectives. To help ensure the County is identifying and planning for its financial challenges in advance and to promote long-term, strategic decision making on financial matters, the County Commissioners adopt the following financial planning policies

### PURPOSE

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To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating projections of revenues and expenditures as part of the annual budget process and multiyear fiscal planning. By presenting the future implications of current budget scenarios, forecasting helps county officials to make strategic plans for lasting fiscal sustainability and future investment.

### APPLICABILITY AND SCOPE

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Applies to:	<ul style="list-style-type: none"><li>▪ County Commissioners and Assembly of Delegates in their budget analysis and decision-making roles</li><li>▪ County Administrator, Finance Director/Treasurer, and Accountant's job duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Creation, revision, and year-to-year conversion of a multiyear forecast of revenues and expenditures as part of the annual budget process</li><li>▪ Guidelines for formulating the assumptions that form the basis for forecast projections</li></ul>

### POLICY

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To determine the County's operating capacity for future fiscal years, the Finance Director, under the County Administrator's direction, will annually create a detailed forecast with five-year projections of revenues and expenditures. The County Administrator, Commissioners and Assembly of Delegates will use the forecast to support their decision making for the upcoming year's operating and capital budgets and for the County's multiyear capital improvement plan.

The Finance Director will create conservative forecasts. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections. Overly optimistic revenue estimates can increase the risk of a revenue deficit, which would necessitate a reduction to the subsequent year's revenue to offset it. On the other hand, inordinately underestimated projections result in excess revenue that is unavailable to benefit the public in the same year as accrued and can be perceived as a shortcoming in providing services.

Early in the annual budget process, the Finance Director will present the initial forecast to the Commissioners. Throughout the budget process, the Commissioners will use the forecast to inform their decision making. In addition, the Finance Director will promptly revise the forecast projections

whenever circumstances change and provide updates to the County Administrator, who will subsequently share them with the Commissioners.

Before creating the initial forecast for a new fiscal year budget process, the Finance Director and County Administrator will review the performance accuracy of prior-year forecasts and any evolving factors in the underlying assumptions to consider how the new forecast's projections may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, County goals, and policy decisions.

#### A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Historical revenue trend analysis will look back at least 10 years.
- Projections of the county tax assessment to member Towns will be limited to 2½ percent.
- County excise taxes will correspond with economic cycles.
- Departmental revenue will not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- Non-recurring revenues will not be used in the projections to fund ongoing or recurring operating expenditures.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The County will build and maintain reserves in compliance with its Fund Balance and Financial Reserves policy.
- Business-type activities user charges and fees will be set to recover all direct and indirect costs associated with these activities.

#### B. Guidelines for Expenditure Assumptions

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

In addition, the following principles shall guide the formulation of expenditure assumptions:

- The County's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Only currently known increases in employee compensation plans will be factored into the projections, leaving any potential, future cost-of-living adjustments to be calculated independently of the forecast.
- The projections of the County's health insurance contributions will be based on current enrollment.

- Equipment replacement and maintenance needs for the next several years will be included.
- The County will pay its annual pension contributions.
- The County will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.
- The Finance Director will prepare and maintain a 10-year projection of capital borrowing needs.

## **REFERENCES**

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[M.G.L. c. 35, § 28](#)

Barnstable County policies on Annual Budget, Capital Planning, Debt Management, and Fund Balance and Financial Reserves

Division of Local Services Best Practice: [Revenue and Expenditure Forecasting](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

## **EFFECTIVE DATE**

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This policy was adopted on [date].

## ANTIFRAUD

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### PURPOSE

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To protect the County’s assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities and any appearances thereof. The policy’s objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the County’s intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

### APPLICABILITY AND SCOPE

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Applies to:	<ul style="list-style-type: none"><li>▪ All elected and appointed County officials and employees</li><li>▪ All other persons acting on behalf of the County, such as vendors, contractors, volunteers, casual employees, and grant subrecipients</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Any suspected fraud, abuse, or similar irregularity against the County</li></ul>

### POLICY

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The County is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. County officials, employees and other persons acting on behalf of the County must, comply with all applicable policies, laws, and regulations. A “Person acting on behalf of the County” refers to any individual responsible for or to Barnstable County’s government placed in that position by some official relationship with the County.

The County will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The County intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject to such investigation.

#### A. Actions Constituting Fraud or Abuse

Fraud and abuse can take many forms, all of which are covered by this policy and described in examples below.

Abuse of authority can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of County property, equipment, materials, records, or other resources

- Waste of public funds

Fraudulent activity includes, but is not limited to, the following:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering because of insider knowledge of County activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the County
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the County
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

#### B. Antifraud Responsibilities

Every employee has a duty to report any suspected fraudulent activity. Department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud. All County officials, department heads, and supervisory staff must familiarize themselves with the types of fraud that could occur within their areas of responsibility and be alert for any indications of such conduct. The County Administrator has primary responsibility for coordinating all fraud investigations.

#### C. Reporting Suspicion of Fraud

Any County employee or official who suspects fraud or abuse has occurred will promptly report it to the County Administrator, who will duly post the matter for discussion in an executive session of the County Commissioners. If the suspected fraud involves the County Administrator, the employee/official will report it to the County Commissioner Chair or to a different member if the Chair is suspected to be involved. Whoever receives the initial report will document it in writing and include sufficient details to ensure a clear understanding of the issues raised.

The County Administrator is accountable for maintaining the confidentiality of all information related to a report of potential fraud, and the person making the report is protected from retaliation under the provisions of Section H below. Therefore, the County strongly encourages individuals to put their names to reports; however, an anonymous report can be emailed to the County Administrator at [balbert@barnstablecounty.org](mailto:balbert@barnstablecounty.org).

#### D. Security of Evidence

Upon receipt of a report of suspected fraud, the County Administrator will take immediate action to prevent the alteration, theft, or destruction of relevant records and assets. Such actions may include, but are not limited to:

- Limiting access to the location where the records and assets exist
- Preventing access by the individual or individuals suspected of committing fraud
- Relocating the records and assets to a secure location

#### E. Confidentiality and Media Relations

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the County Administrator will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or otherwise acting on behalf of the County may make any comment to the media or any other party without explicit authorization from the County Administrator or Commissioners.

#### F. Investigation

As soon as possible after receipt of a report of potential fraud or abuse, the County Administrator will schedule an executive session of the Commissioners to consider the following:

- Is a formal investigation necessary, and if so, who will lead it?
- Is there an immediate need for legal assistance or advice?
- Is police involvement immediately necessary?
- Is there a need for any external support (e.g., forensic accountants, technology professionals)?
- Should the Commissioners devise a media strategy on the issue?
- Is there a need to report the issue to any external parties?

The County will investigate every report of suspected fraud. For any anonymous report, the Commissioners will decide whether a formal investigation is justified based on the following:

- Credibility of the concern
- Seriousness of the issue (i.e., magnitude of negative impact to the County)
- Sufficiency of details provided to enable an investigation

To begin the formal investigation, the County Administrator will consult with legal counsel to obtain guidance on next steps. From there, the County Administrator may also seek the involvement of the Finance Director, law enforcement, and other personnel as needed. The Commissioners may also pursue the employment of an outside consultant to lead the investigation, such as an independent auditor.

#### G. Conclusion of Investigation, Corrective Actions, and Disclosures

At the investigation's conclusion, the County Administrator or other assigned investigator will provide a written report of findings to the Commissioners. If it supports a finding of fraud, the County will pursue disciplinary action against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of legal counsel, the Commissioners may also report the violation(s) to the local district attorney's office to pursue appropriate legal actions.

Additionally, the County Administrator, in consultation with the assigned investigator if any, will determine the corrective actions needed to implement new or enhanced internal controls, in the subject department and potentially County-wide, to mitigate the risk of future fraudulent activity. The subject department head(s) will subsequently provide the County Administrator with updates on the status of the corrective action(s) monthly or upon request.

If the County's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the County Administrator will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the County Administrator will disclose this in writing to the bondholders.

#### H. Whistleblower Protection

Regardless of an investigation's outcome, no employee who makes a good faith report pursuant to this policy shall be subject to retaliatory actions by County management, such as:

- Dismissal or threat of dismissal
- Discipline, suspension, or threat of these actions
- Intimidation or coercion
- Any other form of penalization or retaliation

Any party found to have retaliated against an employee for making a report pursuant to this policy will be subject to disciplinary action, up to and including termination.

If an allegation is made in good faith but not confirmed after the investigation concludes, no action will be taken against the originator. Any employee who knowingly makes a false report, provides evidence they know to be false, or provides information without a reasonable belief in its truth and accuracy may be subject to disciplinary action. Evidence of false allegations made with malicious intent will result in disciplinary action, up to and including termination.

#### I. Ethics Training and Annual Acknowledgments

In July every year, the County Administrator will distribute this policy to all employees and officials along with a copy of the state's conflict of interest law, and each recipient is required to acknowledge receipt. In addition, every two years, all County employees must complete the state's conflict of interest training. Further, any County employee responsible for managing a vendor contract will ensure the vendor receives a copy of this policy and returns a signed acknowledgment. The County Administrator or designee will maintain a database to track the status of all acknowledgments and employee trainings and will follow up with those who are noncompliant with either requirement.

## REFERENCES

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[M.G.L. c. 12, §§ 5A, 5B, 5C, 5D, 5E, 5F, 5J](#)

[M.G.L. c. 268A](#)

MA Office of the Inspector General's informational webpage: [What is Fraud?](#)

MA Ethics Commission summary of the conflict of interest statute: <https://www.mass.gov/service-details/summary-of-the-conflict-of-interest-law-for-municipal-employees>

MA Ethics Commission training webpage: <https://www.mass.gov/how-to/complete-the-online-training-program-for-municipal-employees>

U.S. Office of Management and Budget, December 2013: [Omni Circular](#)

## EFFECTIVE DATE

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This policy was adopted on [date].