

**THE ERWIN BOARD OF COMMISSIONERS
MARCH 2022 REGULAR WORKSHOP
MONDAY, MARCH 28, 2022 @ 6:00 P.M.
ERWIN MUNICIPAL BUILDING BOARD ROOM**

AGENDA

1. **MEETING CALLED TO ORDER**
 - A. Invocation
 - B. Pledge of Allegiance
2. **APPROVAL OF AGENDA**
3. **NEW BUSINESS**
 - A. **Discuss the Appointment of WARD 4**
 - B. Updates to our Personnel Policy (**Page 2**)
 - C. Revised ARP Policies (**Page 60**)
 - D. Erwin Community Building Sign (**Page 97**)
4. **ADJOURNMENT**

ERWIN BOARD OF COMMISSIONERS
REGULAR WORKSHOP MINUTES
MARCH 28, 2022
ERWIN, NORTH CAROLINA

The Board of Commissioners for the Town of Erwin with Mayor Patsy Carson presiding, held its Regular Workshop in the Erwin Municipal Building Board Room on Monday, March 28, 2022, at 6:00 P.M. in Erwin, North Carolina.

Board Members present were: Mayor Patsy Carson, Mayor Pro Tem Randy Baker, and Commissioners William Turnage, Thurman Whitman, Ricky Blackmon, and Alvester McKoy.

Town Manager Snow Bowden, Town Clerk Lauren Evans, and Town Attorney Tim Morris were present.

Mayor Carson called the meeting to order at 6:08 P.M.

Mayor Pro Tem Randy Baker gave the invocation.

Commissioner Blackmon led the Pledge of Allegiance.

AGENDA ADJUSTMENT/APPROVAL OF AGENDA

Commissioner Turnage made a motion to move items A-C under New Business and move down one letter each and then add the following discussion as Item A under New Business: Discuss the Appointment of WARD 4 Commissioner and was seconded by Commissioner Whitman. **The Board voted unanimously.**

Commissioner Turnage made a motion to approve the adjusted agenda and was seconded by Commissioner Whitman. **The Board voted unanimously.**

NEW BUSINESS

Discuss the Appointment of WARD 4 Commissioner

Commissioner Whitman made a motion to appoint Charles Byrd as the WARD 4 Commissioner and was seconded by Commissioner Turnage. The motion was tied by two votes for (Whitman and Turnage) and two votes against (Baker and Blackmon). Mayor Carson broke the tie by appointing Charles Byrd as Commissioner of WARD 4.

Updates to our Personnel Policy

Town Manager Snow Bowden stated our HR Director Lauren Evans along with our intern, updated our personnel policy.

MINUTES CONTINUED FROM MARCH 28, 2022

Discussion continued among the Board.

The consensus of the Board was to have the changes in the policy redlined and the old language strike through.

Revised ARP Policies

Town Manager Snow Bowden informed the Board that the presented policies must be approved by the Board for Federal Laws and Procedures. He asked the Board to review them and get back to him with any questions.

Erwin Community Building Sign

Town Manager Snow Bowden asked the Board for direction on the Community Building Sign. He provided the Board with a proof of what the sign would look like. He stated he needs some guidelines from the Board on what is allowed on the sign before putting the sign-up.

Commissioner Blackmon stated putting it out by the sidewalk for everyone to see would be nice.

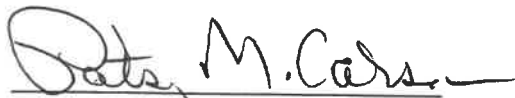
Commissioner McKoy arrived at 6:27 PM.

ADJOURNMENT

Commissioner Whitman made a motion to adjourn at 6:32 P.M. and was seconded by Commissioner Turnage. **The Board voted unanimously.**

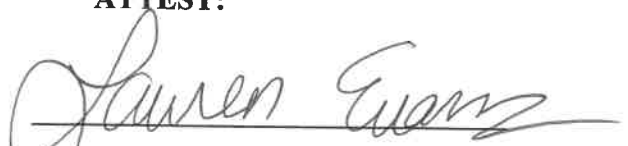
**MINUTES RECORDED AND TYPED BY
LAUREN EVANS TOWN CLERK**

ATTEST:



Patsy M. Carson

Mayor



Lauren Evans

Town Clerk

Erwin Board of Commissioners

REQUEST FOR CONSIDERATION

To: The Honorable Mayor and Board of Commissioners

From: Snow Bowden, Town Manager

Date: March 28, 2022

Subject: Updates to our Personnel Policy

We have completed some updates to our personnel policy. I would like to present this for discussion. We have combined a few items and updated some language that is currently in the policy.

Attachments:

- Personnel Policy

Erwin Board of Commissioners

REQUEST FOR CONSIDERATION

To: The Honorable Mayor and Board of Commissioners

From: Snow Bowden, Town Manager

Date: March 28, 2022

Subject: ARP Policies

In order for us to start using the funds from the American Rescue Plan, we need to have the following policies adopted and then followed. These policies are all rather standard language that was made up with templates from the UNC School of Government. We might have to revisit our conflict-of-interest policy and/or procurement policy. At the moment, I think the policies we have adopted will be fine.

Attachments:

- Eligible Use of ARPA
- Allowable Costs and Expenditures ARPA
- ARP CSLFRF Record Creation and Retention
- ARP CSLFRF Non-Discrimination
- ARP Income Policy
- ARP Property Management Policy

Town of Erwin Eligible Use of ARPA/CSLFRF Funding Policy

WHEREAS the Town of Erwin, North Carolina has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

WHEREAS US Treasury is responsible for implementing ARP/CSLFRF and has enacted a Final Rule outlining eligible projects; and

WHEREAS the funds may be used for projects within these categories, to the extent authorized by state law, to:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

WHEREAS the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Part 200 (UG), as provided in the Assistance Listing; and

WHEREAS US Treasury has issued a Compliance and Reporting Guidance v.2.1 (November 15, 2021) dictating implementation of the ARP/CSLFRF award terms and compliance requirements; and

WHEREAS the Compliance and Reporting Guidance states on page 6 that

Per 2 CFR Part 200.303, your organization must develop and implement effective internal controls to ensure that funding decisions under the SLFRF award constitute eligible uses of funds, and document determinations.

BE IT RESOLVED that the Town of Erwin, North Carolina hereby adopts and enacts the following Eligibility Determination Policy for ARP/CSLFRF funds.

Eligibility Determination Policy for American Rescue Plan Act of 2021

This policy defines the permissible and prohibited uses of the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF) funds. It also

outlines the procedures for determining how [Local Government Name] will spend its ARP/CSLFRF funds.

I. PERMISSIBLE USES OF ARP/CSLFRF FUNDING

US Treasury issued its **Final Rule** regarding use of ARPA funds on January 6, 2022. (The Final Rule is effective as of April 1, 2022. Until that date, a local government may proceed under the regulation promulgated by US Department of the Treasury in its **Interim Final Rule** or the Final Rule.) The Final Rule (and the Interim Final Rule) identify permissible uses of ARP/CSLFRF funds and certain limitations and process requirements. Local governments must allocate ARP/CSLFRF funds no later than December 31, 2024 and disburse all funding no later than December 31, 2026. Failure of an entity to expend all funds by December 31, 2026 will result in forfeiture of ARPA funds.

ARP/CSLFRF funds may be used for projects within the following categories of expenditures:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

II. PROHIBITED USES OF ARPA FUNDING

The ARP/CSLFRF and US Treasury's Final Rule prohibit certain uses of ARP/CSLFRF funds. Specifically, ARP/CSLFRF funds may not be used for projects within the following categories of expenditures:

1. To make a deposit into a pension fund that constitutes an extraordinary payment of an accrued, unfunded liability (Note that routine contributions as part of a payroll obligation for an eligible project are allowed.);
2. To borrow money or make debt service payments;
3. To replenish rainy day funds or fund other financial reserves;

4. To satisfy an obligation arising from a settlement agreement, judgment, consent decree, or judicially confirmed debt restricting in a judicial, administrative, or regulatory proceeding (There is an exception to this prohibition if the settlement or judgment requires the [Local Government Name] to provide services to respond to the COVID-19 public health emergency or its negative economic impacts or to provide government services, then the costs of those otherwise ARP/CSLFRF-eligible projects are allowed.);
5. For a project that includes a term or condition that undermines efforts to stop the spread of COVID-19 or discourages compliance with recommendations and guidelines in CDC guidance for stopping the spread of COVID-19;
6. In violation of the conflict-of-interest requirements imposed by the award terms and 2 CFR 200.318(c).
7. For any expenditure that would violate other applicable federal, state, and local laws and regulations.

The Town of Erwin, North Carolina and any of its contractors or subrecipients, may not expend any ARP/CSLFRF funds for these purposes.

III. PROCEDURES FOR PROJECT APPROVAL

The following are procedures for ARP/CSLFRF project approvals. All [Local Government Name] employees and officials must comply with these requirements.

1. Requests for ARP/CSLFRF funding, must be made in writing and include all the following:
 - a. Brief description of the project
 - b. Identification of ARP/CSLFRF Expenditure Category (EC) (A list of ECs in in the Appendix to the US Treasury Compliance and Reporting Guidance.)
 - c. Required justifications for applicable projects, according to the requirements in the Final Rule. Employees or any applicant seeking ARPA funding should review the Final Rule and Final Rule Overview prior to submitting a proposal.
 - d. Proposed budget, broken down by cost item, in accordance with the Town of Erwin, North Carolina's Allowable Cost Policy.
 - e. A project implementation plan and estimated implementation timeline (All ARP/CSLFRF funds must be fully obligated by December 31, 2024, and fully expended by December 31, 2026.)
2. Requests for funding must be submitted to the Town Manager for approval. All requests will be reviewed by the Town Manager for ARP/CSLFRF compliance and by the Finance Director for allowable costs and other financial review.
3. No ARP/CSLFRF may be obligated or expended before final written approval by the Town Manager. All expenditures must be approved by the Erwin Board of Town Commissioners.
4. If a proposal does not meet the required criteria, it will be returned to the requesting party for revision and resubmittal.

5. Following approval, employees responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget. Changes in project budgets must be approved by the Town Manager and may require a budget amendment before proceeding. Any delay in the projected project completion date shall be communicated to the Town Manager immediately.
6. The Town Manager must collect and document required information for each EC, for purposes of completing the required Project and Expenditure reports.
7. The Town Manager must maintain written project requests and approvals, all supporting documentation, and financial information at least until December 31, 2031.

Town of Erwin Allowable Costs and Expenditures of ARPA/CSLFRF Funding Policy

WHEREAS the Town of Erwin, North Carolina, has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

WHEREAS the funds may be used for projects within these categories, to the extent authorized by state law, to:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

WHEREAS the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Sect. 200 (UG), as provided in the Assistance List in 11; and

WHEREAS the Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds provides, in relevant part:

Allowable Costs/Cost Principles. As outlined in the Uniform Guidance at 2 CFR Part 200, Subpart E regarding Cost Principles, allowable costs are based on the premise that a recipient is responsible for the effective administration of Federal awards, application of sound management practices, and administration of Federal funds in a manner consistent with the program objectives and terms and conditions of the award. Recipients must implement robust internal controls and effective monitoring to ensure compliance with the Cost Principles, which are important for building trust and accountability.

ARP/CSLFRF Funds may be, but are not required to be, used along with other funding sources for a given project. Note that ARP/CSLFRF Funds may not be used for a non-Federal cost share or match where prohibited by other Federal programs, e.g., funds may not be used for the State share for Medicaid.

Treasury's Interim Final Rule and guidance and the Uniform Guidance outline the types of costs that are allowable, including certain audit costs. For example, per 2 CFR 200.425, a reasonable proportionate share of the costs of audits required by the Single Audit Act Amendments of 1996 are allowable; however, costs for audits that were not performed in accordance with 2 CFR Part 200, Subpart F are not allowable. Please see 2 CFR Part 200, Subpart E regarding the Cost Principles for more information.

1. Administrative costs: Recipients may use funds for administering the SLFRF program, including costs of consultants to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements. Further, costs must be reasonable and allocable as outlined in 2 CFR 200.404 and 2 CFR 200.405. Pursuant to the [ARP/CSLFRF] Award Terms and Conditions, recipients are permitted to charge both direct and indirect costs to their SLFRF award as administrative costs. Direct costs are those that are identified specifically as costs of implementing the [ARP/CSLFRF] program objectives, such as contract support, materials, and supplies for a project. Indirect costs are general overhead costs of an organization where a portion of such costs are allocable to the [ARP/CSLFRF] award such as the cost of facilities or administrative functions like a director's office. Each category of cost should be treated consistently in like circumstances as direct or indirect, and recipients may not charge the same administrative costs to both direct and indirect cost categories, or to other programs. If a recipient has a current Negotiated Indirect Costs Rate Agreement (NICRA) established with a Federal cognizant agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals, then the recipient may use its current NICRA. Alternatively, if the recipient does not have a NICRA, the recipient may elect to use the de minimis rate of 10 percent of the modified total direct costs pursuant to 2 CFR 200.414(f).
2. Salaries and Expenses: In general, certain employees' wages, salaries, and covered benefits are an eligible use of [ARP/CSLFRF] award funds; and

WHEREAS Subpart E of the UG dictates allowable costs and cost principles for expenditure of ARP/CSLFRF funds; and

WHEREAS Subpart E of the UG (specifically, 200.400) states that:

The application of these cost principles is based on the fundamental premises that:

- (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

- (c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the Federal award.
- (e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered.
- (f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.
- (g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award;

BE IT RESOLVED that the governing board of the Town of Erwin, North Carolina hereby adopts and enacts the following UG Allowable Costs and Cost Principles Policy for the expenditure of ARP/CSLFRF funds.

Town of Erwin, North Carolina Allowable Costs and Costs Principles Policy

I. Policy Overview

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart E, defines those items of cost that are allowable, and which are unallowable. The tests of allowability under these principles are:

- (a) the costs must be reasonable;
- (b) they must be allocable to eligible projects under the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF);
- (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and
- (d) they must conform to any limitations or exclusions set forth in these principles or in the ARP/CSLFRF grant award as to types or amounts of cost items. Unallowable items fall into two categories: expenses which are by their nature unallowable (e.g., alcohol), and unallowable activities (e.g., fund raising).

The Town of Erwin, North Carolina shall adhere to all applicable cost principles governing the use of federal grants. This policy addresses the proper classification of both direct and indirect charges to ARP/CSLFRF funded projects and enacts procedures to ensure that proposed and actual expenditures are consistent with the ARP/CSLFRF grant award terms and all applicable federal regulations in the UG.

Responsibility for following these guidelines lies with the Town Manager, Town Clerk and Finance Director who are charged with the administration and financial oversight of the ARP/CSLFRF. Further, all local government employees and officials who are involved in obligating, administering, expending, or monitoring ARP/CSLFRF grant funded projects should be well versed with the categories of costs that are generally allowable and unallowable. Questions on the allowability of costs should be directed to the Finance Director. As questions on allowability of certain costs may require interpretation and judgment, local government personnel are encouraged to ask for assistance in making those determinations.

II. General Cost Allowability Criteria

All costs expended using ARP/CSLFRF funds must meet the following general criteria:

1. **Be necessary and reasonable for the proper and efficient performance and administration of the grant program.**

A cost must be *necessary* to achieve a project object. When determining whether a cost is necessary, consideration may be given to:

- a) Whether the cost is needed for the proper and efficient performance of the grant project.
- b) Whether the cost is identified in the approved project budget or application.
- c) Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- d) Whether the cost addresses project goals and objectives and is based on program data.

A cost is *reasonable* if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices. When determining reasonableness of a cost, consideration must be given to:

- a) Whether the cost is a type generally recognized as ordinary and necessary for the operation of the Town of Erwin, North Carolina, or the proper and efficient performance of the federal award.
- b) The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the ARP/CSLFRF award.
- c) Market prices for comparable goods or services for the geographic area.
- d) Whether individuals concerned acted with prudence in the circumstances considering their responsibilities to the Town of Erwin, North Carolina its employees, the public at large,

and the federal government.

- e) Whether the Town of Erwin, North Carolina significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the ARP/CSLFRF award's cost.

2. **Be allocable to the ARP/CSLFRF federal award.** A cost is allocable to the ARP/CSLFRF award if the goods or services involved are chargeable or assignable to the ARP/CSLFRF award in accordance with the relative benefit received. This means that the ARP/CSLFRF grant program derived a benefit in proportion to the funds charged to the program. *For example, if 50 percent of a local government program officer's salary is paid with grant funds, then the local government must document that the program officer spent at least 50 percent of his/her time on the grant program.*

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized by the ARP/CSLFRF, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

3. **Be authorized and not prohibited under state or local laws or regulations.**
4. **Conform to any limitations or exclusions set forth in the principles, federal laws, ARP/CSLFRF award terms, and other governing regulations as to types or amounts of cost items.**
5. **Be consistent with policies, regulations, and procedures that apply uniformly to both the ARP/CSLFRF federal award and other activities of the Town of Erwin, North Carolina.**
6. **Be accorded consistent treatment.** A cost **MAY NOT** be assigned to a federal award as a direct cost and also be charged to a federal award as an indirect cost. And a cost must be treated consistently for both federal award and non-federal award expenditures.
7. **Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in the UGG.**
8. **Be net of all applicable credits.** The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to and received by the local government related to the federal award, they shall be credited to the ARP/CSLFRF award, either as a cost reduction or a cash refund, as

appropriate and consistent with the award terms. [NOTE THAT A LOCAL GOVERNMENT SHOULD ADD A REFERENCE TO ITS PROGRAM INCOME POLICY HERE, WHEN THAT POLICY IS IMPLEMENTED.]

9. Be adequately documented

III. SELECTED ITEMS OF COST

The UGG examines the allowability of fifty-five (55) specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR § 200.420-.475.

The Town Manager and/or the Finance Director is responsible for determining cost allowability must be familiar with the Selected Items of Cost. The Town of Erwin, North Carolina must follow the applicable regulations when charging these specific expenditures to the ARP/CSLFRF grant. The Town Manager and/or Finance Director will check costs against the selected items of cost requirements to ensure the cost is allowable and that all process and documentation requirements are followed. In addition, State laws, Town of Erwin, North Carolina regulations, and program-specific rules may deem a cost as unallowable, and the Town Manager and/or Finance Director must follow those non-federal rules as well.

Exhibit A identifies and summarizes the Selected Items of Cost.

IV. DIRECT AND INDIRECT COSTS

Allowable and allocable costs must be appropriately classified as direct or indirect charges. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

Direct costs are expenses that are specifically associated with a particular ARP/CSLFRF-eligible project and that can be directly assigned to such activities relatively easily with a high degree of accuracy. Common examples of direct costs include salary and fringe benefits of personnel directly involved in undertaking an eligible project, equipment and supplies for the project, subcontracted service provider, or other materials consumed or expended in the performance of a grant-eligible project.

Indirect costs are (1) costs incurred for a common or joint purpose benefitting more than one ARP/CSLFRF-eligible project, and (2) not readily assignable to the project specifically benefited, without effort disproportionate to the results achieved. They are expenses that benefit more than one project or even more than one federal grant. Common examples of indirect costs include utilities, local telephone charges, shared office supplies, administrative or secretarial salaries.

For indirect costs, the Town of Erwin, North Carolina may charge a 10 percent de minimis rate of modified total direct costs (MTDC). According to UGG Section 200.68 MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance the subawards under the award). MTDC EXCLUDES equipment, capital expenditures,

charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.

V. SPECIAL PROVISIONS FOR STATE AND LOCAL GOVERNMENTS

There are some special provisions of the UG that apply only to states, local governments, and Indian Tribes.

§ 200.444 General costs of government.

- 1) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in s 200.475). Unallowable costs include:
 - a) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;
 - b) Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;
 - c) Costs of the judicial branch of a government;
 - d) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in 200.435); and
 - e) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.
- 2) For Indian tribes and Councils of Governments (COGs) (see definition for *Local government* in § 200.1 of this part), up to 50% of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his or her staff can be included in the indirect cost calculation without documentation.

§ 200.416 COST ALLOCATION PLANS AND INDIRECT COST PROPOSALS.

- 1) For states, local governments and Indian tribes, certain services, such as motor pools, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefited activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.
- 2) Individual operating agencies (governmental department or agency), normally charge Federal awards for indirect costs through an indirect cost rate. A separate indirect cost rate(s) proposal for each operating agency is usually necessary to claim indirect costs under Federal awards. Indirect costs include:
 - a) The indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and
 - b) The costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.
- 3) The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) and indirect cost rate proposals are contained

in appendices V, VI and VII to this part.

§ 200.417 INTERAGENCY SERVICE.

The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro-rated share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix V to Part 200.

VI. Cost Allowability Review Process

Preapproval Cost Allowability Review

Before an ARP/CSLFRF-funded project is authorized, the Town Manager must review the proposed cost items within an estimated project budget to determine whether they are allowable and allocable and whether cost items will be charged as direct or indirect expenses. This review will occur concurrently with the review of project eligibility and before obligating or expending any ARP/CSLFRF funds.

- 1) Local government personnel must submit proposed ARP/CSLFRF projects to the Town Manager for review. In addition to other required information, all proposed project submissions must delineate estimated costs by cost item.
- 2) Along with a general review of project eligibility and conformance with other governing board management directives, the Town Manager and/or Finance Director must review estimated costs for specific allowable cost requirements, budget parameters, indirect rates, fringe benefit rates, and those activities/costs that require pre-approval by the US Treasury.
- 3) If a proposed project includes a request for an unallowable cost, the Town Manager will return the proposal to the requesting party for review and, if practicable, resubmission with corrected cost items.
- 4) Once a proposed project budget is pre-approved by the Town Manager the local government personnel responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget

Post-Expenditure Cost Allowability Review

Once an expenditure is incurred related to an eligible project, and an invoice or other demand for payment is submitted to the local government, the Finance Director must perform a second review to ensure that actual expenditures comprise allowable costs.

- 1) All invoices or other demands for payment must include a breakdown by cost item. The cost items should mirror those presented in the proposed budget for the project. If an invoice or other demand for payment does not include a breakdown by cost item, the Finance Director will return the invoice to the project manager and/or vendor, contractor, or subrecipient for correction.
- 2) The Finance Director must review the individual cost items listed on the invoice or other demand for payment to determine their allowability and allocability.
- 3) If all cost items are deemed allowable and properly allocable, the Finance Director must proceed through the local government's normal disbursement process.

- 4) If any cost item is deemed unallowable, the Town Manager will notify the project management and/or vendor, contractor, or subrecipient that a portion of the invoice or other demand for payment will not be paid with ARP/CSLFRF funds. The Town Manager may in their discretion, and consistent with this policy, allow an invoice or other demand for payment to be resubmitted with a revised cost allocation. If the local government remains legally obligated by contract or otherwise to pay the disallowed cost item, it must identify other local government funds to cover the disbursement. The Town of Erwin, North Carolina's governing board must approve any allocation of other funds for this purpose.
- 5) The Town Manager must retain appropriate documentation of budgeted cost items per project and actual obligations and expenditures of cost items per project.

Cost Transfers

Any costs charged to the ARP/CSLFRF federal award that do not meet the allowable cost criteria must be removed from the award account and charged to an account that does not require adherence to federal UGG or other applicable guidelines.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding.

Exhibit A

Selected Items of Cost	Uniform Guidance General Reference	Allowability
Advertising and public relations costs	2 CFR § 200.421	Allowable with restrictions
Advisory councils	2 CFR § 200.422	Allowable with restrictions
Alcoholic beverages	2 CFR § 200.423	Unallowable
Alumni/ae activities	2 CFR § 200.424	Not specifically addressed
Audit services	2 CFR § 200.425	Allowable with restrictions
Bad debts	2 CFR § 200.426	Unallowable
Bonding costs	2 CFR § 200.427	Allowable with restrictions
Collection of improper payments	2 CFR § 200.428	Allowable
Commencement and convocation costs	2 CFR § 200.429	Not specifically addressed
Compensation - personal services	2 CFR § 200.430	Allowable with restrictions; Special conditions apply (e.g., § 200.430(i)(S))
Compensation - fringe benefits	2 CFR § 200.431	Allowable with restrictions
Conferences	2 CFR § 200.432	Allowable with restrictions
Contingency provisions	2 CFR § 200.433	Unallowable with exceptions
Contributions and donations	2 CFR § 200.434	Unallowable (made by non-federal entity); not reimbursable but value may be used as cost sharing or matching (made to non-federal entity)
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent	2 CFR § 200.435	Allowable with restrictions

infringements		
Depreciation	2 CFR § 200.436	Allowable with qualifications
Employee health and welfare costs	2 CFR § 200.437	Allowable with restrictions
Entertainment costs	2 CFR § 200.438	Unallowable with exceptions
Equipment and other capital expenditures	2 CFR § 200.439	Allowability based on specific requirement
Exchange rates	2 CFR § 200.440	Allowable with restrictions
Fines, penalties, damages and other settlements	2 CFR § 200.441	Unallowable with exceptions
Fund raising and investment management costs	2 CFR § 200.442	Unallowable with exceptions
Gains and losses on disposition of depreciable assets	2 CFR § 200.443	Allowable with restrictions
General costs of government	2 CFR § 200.444	Unallowable with exceptions
Goods and services for personal use	2 CFR § 200.445	Unallowable (goods/ services); allowable (housing) with restrictions
Idle facilities and idle capacity	2 CFR § 200.446	Idle facilities - unallowable with exceptions; Idle capacity- allowable with restrictions
Insurance and indemnification	2 CFR § 200.447	Allowable with restrictions
Intellectual property	2 CFR § 200.448	Allowable with restrictions
Interest	2 CFR § 200.449	Allowable with restrictions
Lobbying	2 CFR § 200.450	Unallowable
Losses on other awards or contracts	2 CFR § 200.451	Unallowable (however, they are required to be included in the indirect cost rate base for

		allocation of indirect costs)
Maintenance and repair costs	2 CFR § 200.452	Allowable with restrictions
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453	Allowable with restrictions
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454	Allowable with restrictions; unallowable for lobbying organizations
Organization costs	2 CFR § 200.455	Unallowable except federal prior approval
Participant support costs	2 CFR § 200.456	Allowable with prior approval of the federal awarding agency
Plant and security costs	2 CFR § 200.457	Allowable ; capital expenditures are subject to § 200.439
Pre-award costs	2 CFR § 200.458	Allowable if consistent with other allowabilities and with prior approval of the federal awarding agency
Professional services costs	2 CFR § 200.459	Allowable with restrictions
Pr oposal costs	2 CFR § 200.460	Allowable with restrictions
Publication and printing costs	2 CFR § 200.461	Allowable with restrictions
Rearrangement and reconversion costs	2 CFR § 200.462	Allowable (ordinary and normal)
Recruiting costs	2 CFR § 200.463	Allowable with restrictions
Relocation costs of employees	2 CFR § 200.464	Allowable with restrictions
Rental costs of real property and equipment	2 CFR § 200.465	Allowable with restrictions
Scholarships and student aid costs	2 CFR § 200.466	Not specifically addressed
Selling and marketing costs	2 CFR § 200.467	Unallowable with exceptions

Specialized service facilities	2 CFR § 200.468	Allowable with restrictions
Student activity costs	2 CFR § 200.469	Unallowable unless specifically provided for in the federal award
Taxes (including Value Added Tax)	2 CFR § 200.470	Allowable with restrictions
Termination costs	2 CFR § 200.471	Allowable with restrictions
Training and education costs	2 CFR § 200.472	Allowable for employee development
Transportation costs	2 CFR § 200.473	Allowable with restrictions
Travel costs	2 CFR § 200.474	Allowable with restrictions
Trustees	2 CFR § 200.475	Not specifically addressed

Town of Erwin ARP/CSLFRF Record Creation and Retention Policy

Retention of Records: The Coronavirus Local Fiscal Recovery Funds (“CSLFRF”) Award Terms and Conditions and the Compliance and Reporting Guidance set forth the U.S. Department of Treasury’s (“Treasury”) record retention requirements for the ARP/CSLFRF award.

It is the policy of the Town of Erwin, North Carolina to follow Treasury’s record retention requirements as it expends CSLFRF pursuant to the APR/CSLFRF award. Accordingly, the Town of Erwin, North Carolina agrees to:

- a) Retain all financial and programmatic records related to the use and expenditure of CSLFRF pursuant to the ARP/CSLFRF award for a period of five (5) years after all CLFRF funds have been expended or returned to Treasury, whichever is the later.
- b) Retain records for real property and equipment acquired with CSLFRF for five years after final disposition.
- c) Ensure that the financial and programmatic records retained sufficiently evidence compliance with section 603(c) of the Social Security Act “ARPA,” Treasury’s regulations implementing that section, and guidance issued by Treasury regarding the foregoing.
- d) Allow the Treasury Office of Inspector General and the Government Accountability Office, or their authorized representatives, the right to timely and unrestricted access to any records for the purpose of audits or other investigations.
- e) If any litigation, claim, or audit is started before the expiration of the 5-year period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved.

Covered Records: For purposes of this policy, records are information, regardless of physical form or characteristics, that are created, received, or retained that evidence the Town of Erwin, North Carolina’s expenditure of CSLFRF funds on eligible projects, programs, or activities pursuant to the ARP/CSLFRF award.

Records that shall be retained pursuant to this policy include, but are not limited to, the following:

- a) Financial statements and accounting records evidencing expenditures of CSLFRF for eligible projects, programs, or activities;

- b) Documentation of rationale to support a particular expenditure of CSLFRF (e.g., expenditure constitutes a general government service);
- c) Documentation of administrative costs charged to the ARP/CSLFRF award;
- d) Procurement documents evidencing the significant history of a procurement, including, at a minimum, the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for contract cost or price;
- e) Subaward agreements and documentation of subrecipient monitoring;
- f) Documentation evidencing compliance with the Uniform Guidance property management standards set forth in 2 C.F.R. §§ 200.310-316 and 200.329;
- g) Personnel and payroll records for full-time and part-time employees compensated with CSLFRF, including time and effort reports; and
- h) Indirect cost rate proposals

Storage: The Town of Erwin, North Carolina's records must be stored in a safe, secure, and accessible manner. Wherever practicable, such records should be collected, transmitted, and stored in open digital formats.

Departmental Responsibilities: Any department or unit of the Town of Erwin, North Carolina, and its employees, who are responsible for creating or maintaining the covered documents in this policy shall comply with the terms of this policy. Failure to do so may subject the Town of Erwin, North Carolina to civil and/or criminal liability. Any employee who fails to comply with the record retention requirements set forth herein may be subject to disciplinary sanctions, including suspension or termination.

The Town Manager is responsible for identifying the documents that the Town of Erwin, North Carolina must or should retain and arrange for the proper storage and retrieval of records. The Town Manager shall also ensure that all personnel subject to the terms of this policy are aware of the record retention requirements set forth herein.

Reporting Policy Violations: The Town of Erwin, North Carolina is committed to enforcing this policy as it applies to all forms of records. Any employee that suspects the terms of this policy have been violated shall report the incident immediately to that employee's supervisor. If an employee is not comfortable bringing the matter up with the supervisor, the employee may bring the matter to the attention of the Mayor of the Town of Erwin, North Carolina. The Town of Erwin, North Carolina prohibits any form of discipline, reprisal, intimidation, or retaliation for reporting incidents of inappropriate conduct of any kind, pursuing any record destruction claim, or cooperating in related investigations.

Questions About the Policy: Any questions about this policy should be referred to the Town Manager by phone at 910-591-4200 or by e-mail at townmanager@erwin-nc.org who is in charge of administering, enforcing, and updating this policy.

Town of Erwin ARPA/CSLFRF Non-Discrimination Policy

WHEREAS, the Town of Erwin, North Carolina has received an allocation of funds from the “Coronavirus State Fiscal Recovery Fund” or “Coronavirus Local Fiscal Recovery Fund” (together “CSLFRF funds”), established pursuant to Sections 602 and 603 of the Social Security Act, as added by Section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (the “ARP/CSLFRF award”).

WHEREAS, CSLFRF funds are subject to the U.S. Department of Treasury (“Treasury”) regulations, including the Final Rule, the Award Terms and Conditions, and the Title VII implementing regulations at 31 C.F.R. Part 22.

WHEREAS, pursuant to the ARP/CSLFRF Award Terms and Conditions, and as a condition of receiving CSLFRF funds, the Town of Erwin agrees to follow all federal statutes and regulations prohibiting discrimination in its administration of CSLFRF under the terms and conditions of the ARP/CSLFRF award, including, but not limited to, the following:

- i. Title VI of the Civil Rights Act of 1964 (42 U.S.C. §§ 2000d et seq.) and Treasury’s implementing regulations at 31 C.F.R. Part 22, which prohibit discrimination on the basis of race, color, or national origin within programs or activities receiving federal financial assistance;
- ii. The Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§ 3601 et seq.), which prohibits discrimination in housing on the basis of race, color, religion, national origin, sex, familial status, or disability;
- iii. Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794), which prohibits discrimination on the basis of disability under any program or activity receiving Federal financial assistance;
- iv. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101 et seq.), and Treasury’s implementing regulations at 31 C.F.R. Part 23, which prohibit discrimination on the basis of age in programs or activities receiving federal financial assistance; and
- v. Title II of the Americans with Disabilities Act of 1990, as amended (42 U.S.C. §§ 12101 et seq.), which prohibits discrimination on the basis of disability under programs, activities, and services provided or made available by state and local governments or instrumentalities or agencies thereto.

BE IT RESOLVED That the governing board of the Town of Erwin, North Carolina hereby adopts and enacts the following nondiscrimination policy, which shall apply to the operations of any program, activity, or facility that is supported in whole, or in part, by expenditures CSLFRF pursuant to the ARP/CSLFRF award.

Nondiscrimination Policy Statement

It is the policy of the Town of Erwin, North Carolina to ensure that no person shall, on the ground of race, color, national origin (including limited English Proficiency), familial status, sex, gender, sexual orientation, age, or disability, be excluded from participation in, be denied the benefits of, or be otherwise subject to discrimination under any program or activity administered by the Town of Erwin, North Carolina including programs or activities that are funded in whole or part, with Coronavirus State and Local Fiscal Recovery Funds ("CSLFRF"), which the Town of Erwin, North Carolina received from the U.S. Department of Treasury ("Treasury") pursuant to Sections 602 and 603 of the Social Security Act, as added by Section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (herein the "ARP/CSLFRF award").

I. Governing Statutory & Regulatory Authorities

As required by the CSLFRF Award Terms and Conditions, the Town of Erwin, North Carolina shall ensure that each "activity," "facility," or "program"¹ that is funded in whole, or in part, with CSLFRF and administered under the ARP/CSLFRF award, will be facilitated, operated, or conducted in compliance with the following federal statutes and federal regulations prohibiting discrimination. These include, but are not limited to, the following:

- i. Title VI of the Civil Rights Act of 1964 (42 U.S.C. §§ 2000d et seq.) and Treasury's implementing regulations at 31 C.F.R. Part 22, which prohibit discrimination on the basis of race, color, or national origin under programs or activities receiving federal financial assistance;
- ii. The Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§ 3601 et seq.), which prohibits discrimination in housing on the basis of race, color, religion, national origin, sex, familial status, or disability;
- iii. Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794), which prohibits discrimination on the basis of disability under any program or activity receiving federal financial assistance;
- iv. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101 et seq.), and Treasury's implementing regulations at 31 C.F.R. Part 23, which prohibit discrimination on the basis of age within programs or activities receiving federal financial assistance; and
- v. Title II of the Americans with Disabilities Act of 1990, as amended (42 U.S.C. §§ 12101 et seq.), which prohibits discrimination on the basis of disability under programs,

¹ 22 C.F.R. § 22.3 defines "program" and "activity" as all operations of an entity, including local governments, that receive Federal financial assistance, and the departments, agencies, or special purpose districts of the local governments to which Federal financial assistance is distributed. "Federal financial assistance" includes, among other things, grants and loans of federal funds. "Facility" includes all or any part of structures, equipment, or other real or personal property or interests therein, and the provision of facilities includes the construction, expansion, renovation, remodeling, alteration, or acquisition of facilities.

activities, and services provided or made available by state and local governments or instrumentalities or agencies thereto.

II. Discriminatory Practices Prohibited in the Administration of the ARP/CSLFRF Award

To ensure compliance with Title VII of the Civil Rights Act of 1964, and Title 31 Code of Federal Regulations, Part 22, the Civil Rights Restoration Act of 1987, and other pertinent nondiscrimination authorities, the Town of Erwin, North Carolina shall prohibit, at a minimum, the following practices in its administration of CSLFRF pursuant to the ARP/CSLFRF award:

1. Denying to a person any service, financial aid, or other program benefit without good cause;
2. Providing to a person any service, financial aid, or another benefit which is different in quantity or quality, or is provided in a different manner, from that provided to others under the program.
3. Subjecting a person to segregation or separate treatment in any matter related to the receipt of any service, financial aid, or other benefit under the program;
4. Restricting a person in the enjoyment of any advantages, privileges, or other benefits enjoyed by others receiving any service, financial aid, or other benefit under the program;
5. Treating a person differently from others in determining whether that person satisfies any admission, enrollment, quota, eligibility, membership, or other requirement or condition which persons must meet to be provided any service, financial aid, or other benefit provided under the program;
6. Implementing different standards, criteria, or other requirements for admission, enrollment, or participation in planning, advisory, contractual, or other integral activities to the program;
7. Adopting methods of administration which, directly or through contractual relationships, would defeat or substantially impair the accomplishment of effective nondiscrimination;
8. Selecting a site or location of facilities with the purpose or effect of excluding persons from, denying them the benefits of, subjecting them to discrimination, or with the purpose or effect of defeating or substantially impairing the accomplishment of the objectives of Title VI or related acts and regulations;
9. Discriminating against any person, either directly or through a contractual agreement, in any employment resulting from the program, a primary objective of which is to provide employment;
10. Committing acts of intimidation or retaliation, including threatening, coercing, or discriminating against any individual for the purpose of interfering with any right or privilege secured by any pertinent nondiscrimination law, or because an individual made a complaint, testified, assisted, or participated in an investigation, proceeding, or hearing.

III. Enforcement & Complaint Reporting

The Town of Erwin, North Carolina shall cooperate in any enforcement or compliance review activities by the Department of the Treasury. Enforcement may include investigation, arbitration, mediation, litigation, and monitoring of any settlement agreements that may result from these actions. The Town of Erwin, North Carolina shall comply with information requests, on-site compliance reviews, and reporting requirements.

The Town of Erwin, North Carolina shall maintain a complaint log and inform the Treasury of any complaints of discrimination on the grounds of race, color, or national origin (including limited English proficiency covered by Title VI of the Civil Rights Act of 1964 and implementing regulations and provide, upon request, a list of all such reviews or proceedings based on the complaint, whether pending or completed, including the outcome. The Town of Erwin, North Carolina shall inform the Treasury if it has received no complaints under Title VI.

- a) Any person who believes they have been aggrieved by a discriminatory practice under Title VI has a right to file a formal complaint with the Treasury. Any such complaint must be in writing and filed with the Treasury's Title VI Coordinator within one hundred eighty (180) days following the date of the alleged discriminatory occurrence.

- b) Any person who believes that because of that person's race, color, national origin, limited English proficiency, familial status, sex, age, religion, or disability that he/she/they have been discriminated against or unfairly treated by the Town of Erwin, North Carolina in violation of this policy should contact the Town Manager within 180 days from the date of the alleged discriminatory occurrence.

Town of Erwin ARPA/CSLFRF Income Policy

WHEREAS, the Town of Erwin, North Carolina has received an allocation of funds from the Coronavirus “State Fiscal Recovery Fund” or “Coronavirus Local Fiscal Recovery Fund” (together “CSLFRF”) established pursuant to Sections 602 and 603 of the Social Security Act, as added by Section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (“ARPA”).

WHEREAS, the Town of Erwin, North Carolina shall comply with the terms of ARPA, and the U.S. Department of Treasury’s (“Treasury”) federal regulations governing the spending of CSLFRF funds, including the Final Rule, and Treasury’s regulations governing expenditures of CSLFRF funds, including the Award Terms and Conditions, Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds (together the “Federal regulations”), and any additional guidance Treasury has issued or may issue governing the spending of CSLFRF funds.

WHEREAS, the Town of Erwin, North Carolina shall comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part § 200 (the “Uniform Guidance”); and

WHEREAS, the Town of Erwin, North Carolina shall account for program income per the requirements set forth in the Uniform Guidance, including, but not limited to, 2 C.F.R. § 200.307, and as stipulated in Compliance and Reporting Guidance for the State and Local Recovery Funds, which provides: “Recipients of CSLFRF funds should calculate, document, and record the organization’s program income. Additional controls that your organization should implement include written policies that explicitly identify appropriate allocation methods, accounting standards and principles, compliance monitoring checks for program income calculations, and records.”¹

BE IT RESOLVED that the governing board of the Town of Erwin, North Carolina hereby adopts and enacts the following policies and procedures for the use of program income earned from the expenditure of CSLFRF funds pursuant to the ARP/CSLFRF award.

PROGRAM INCOME POLICY

I. PURPOSE AND SCOPE

The Town of Erwin, North Carolina enacts the following procedures for its use of program income earned from the expenditure of CSLFRF funds to ensure compliance with the Uniform Guidance, including, but not limited to, 2 C.F.R. § 200.307, the ARP/CSLFRF award, and all applicable Federal regulations governing the use of program income. The Town of Erwin, North

¹ Compliance and Reporting Guidance, p. 9.

Carolina agrees to administer program income according to the requirements set forth in this policy and as required by the Federal regulations and State law.

The responsibility for following this policy lies with the Town Manager and/or Finance Director, who are charged with the administration and financial oversight of the ARP/CSLFRF award. Questions on the use and/or reporting of program income should be directed to the Town Manager and/or Finance Director.

II. DEFINITIONS²

- a. *ARP/CLSFRF award* means the Federal program governing the use of Coronavirus State and Local Fiscal Recovery Funds as provided in the Assistance Listing and as administered by the U.S. Department of Treasury pursuant to the American Rescue Plan Act of 2021 (“ARPA”), Pub. L. No. 117-2 (Mar. 11, 2021).
- b. *CSLFRF funds* means the portion of Federal financial assistance from the Coronavirus State Fiscal Recovery Funds and Coronavirus Local Fiscal Recovery Funds (collectively “CSLFRF”) awarded to the Town of Erwin, North Carolina pursuant ARPA.
- c. *Federal award* means the Federal financial assistance that a recipient receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in § 200.101. The Federal award is the instrument setting forth the terms and conditions of the grant agreement, cooperative agreement, or other agreement for assistance.
- d. *Federal awarding agency* means the Federal agency that provides a Federal award directly to a non-Federal entity.
- e. *Federal financial assistance* means the assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions, direct appropriations, food commodities, or other financial assistance, including loans.
- f. *Federal program* means all Federal awards which are assigned a single Assistance Listings Number.
- g. *Non-Federal entity* means a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.
- h. *Period of performance* means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods. The period of performance for the ARP/CSLFRF award ends December 31, 2026.
- i. *Program income* means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in § § 200.307(f).

III. PROGRAM INCOME OVERVIEW

² Excluding the first two, the definitions in this section are found in 2 C.F.R. 200.1.

For purposes of this policy, program income is the gross income earned by the Town of Erwin, North Carolina that is directly generated by a supported activity or earned as a result of the ARP/CSLFRF award during the period of performance, which closes December 31, 2026. 2 CFR 200.1.

Program income includes, but is not limited to, the following sources of income:

- The collection of fees for services performed.
- Payments for the use or rental of real or personal property.
- The sale of commodities or items fabricated under the Federal award.
- The payment of principal and interest on loans made under the Federal award.

Program income does not include fees or revenue from the following:

- The use of rebates, credits, discounts, and interest earned on any of them.
- Governmental revenues, such as taxes, special assessments, levies, or fines.
- Proceeds from the sale of real property, equipment, or supplies.³

IV. USE OF PROGRAM INCOME

Program income earned pursuant to expenditures of CSLFRF is the property of US Treasury and shall be accounted for in one of three ways pursuant to 2 C.F.R. § 200.307(e).

Deduction Method: Program income must be deducted from total allowable costs to determine net allowable costs. Program income shall be used to reduce Treasury's obligation under the ARP/CSLFRF award rather than to increase the funds committed a project. Program income shall be used for current costs. The Town of Erwin, North Carolina shall track and account for program income during the period of performance and shall reimburse Treasury, as required. 2 C.F.R. § 200.307(e)(1).

Addition Method: With prior approval, program income may be added to the total amount of the ARP/CSLFRF award, thereby increasing the total amount of the award. Program income must be expended on an eligible project or program. 2 C.F.R. § 200.307(e)(2). Pursuant to the terms of the ARP/CSLFRF award, the repayment of principal and interest on loans made with CSLFRF funds that will mature or be forgiven on or before December 31, 2026, may be accounted for using the addition method (see Section VI).

Matching or Cost Sharing Method: With prior approval, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award shall not change.⁴ 2 C.F.R. § 200.307(e)(3).

³ 2 C.F.R. 200.1 and 2 C.F.R. 200.307 each define and limit the sources of program income.

⁴ The Final Rule provides that a non-Federal entity may expend up to the amount of its reduction in revenue due to the pandemic to meet the non-federal cost-share or matching requirements of other federal programs. However, the

Unless the ARP/CSLFRF award otherwise stipulates, or the Town of Erwin, North Carolina has received prior approval, the Town of Erwin, North Carolina **shall apply the deduction method** to account for the use of program income.

V. ALLOCATION OF PROGRAM INCOME⁵

The Town of Erwin, North Carolina shall only expend program income on costs that are reasonable, allocable, and allowable under the terms of the ARP/CSLFRF award.⁶ To adhere to these requirements, the Town of Erwin, North Carolina shall comply with the cost principles included in 2 C.F.R. § 200, as outlined in the Town of Erwin, North Carolina's allowable cost policy. The Town of Erwin, North Carolina shall allocate program income to the ARP/CSLFRF award in proportion to the pro rata share of the total funding (e.g., if CSLFRF funds cover half of a project's cost, with general revenue covering the other half, the Town of Erwin, North Carolina shall allocate 50% of any program income earned to the ARP/CSLFRF award and account for its use pursuant to § 200.307).

VI. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS MADE WITH ARP/CSLFRF FUNDS

Treasury expects that a significant share of loans made with ARP/CSLFRF funds will be repaid. Accordingly, it has issued guidance on how to appropriately account for the repayment of principal and interest. The Town of Erwin, North Carolina agrees to appropriately account for the return of loan funds according to the ARP/CSLFRF award terms, as follows:

- **For Loans that mature or are forgiven on or before December 31, 2026:** The Town of Erwin, North Carolina may add the repayment of principal and interest program income to the ARP/CSLFRF award. When the loan is made, the Town of Erwin, North Carolina shall report the principal of the loan as an expense. The Town of Erwin, North Carolina shall expend the repayment of principal only on eligible uses and is subject to restrictions on the timing of the use of ARP/CSLFRF funds pursuant to the ARP/CSLFRF award. Interest payments received prior to the end of the period of performance will be considered **an addition** to the total award and may be used for any purpose that is an eligible use. *The Town of Erwin, North Carolina is not subject to restrictions under 2 CFR 200.307(e)(1) (the deduction method) in accounting for the use of program income.*⁷

⁵ Final Rule does not mention whether *program income* may be used to meet cost-sharing or matching requirements. A non-Federal entity should not allocate program income to cost share or matching requirements unless it receives prior approval from Treasury.

⁶ 2 C.F.R. §§ 200.404, 408.

⁷ Final Rule, p. 4436

- For Loans with maturities longer than December 31, 2026:** The Town of Erwin, North Carolina is not required to separately account for the repayment of principal and interest on loans that will mature after the ARP/CSLFRF award's period of performance. The Town of Erwin, North Carolina may use CSLFRF for only the projected cost of the loan. The Town of Erwin, North Carolina may estimate the subsidy cost of the loan, which equals the expected cash flows associated with the loan discounted at the Town of Erwin, North Carolina's cost of funding. The cost of funding can be determined based on the interest rates of securities with a similar maturity to the cash flow being discounted that were either (i) recently issued by the Town of Erwin, North Carolina or (ii) recently issued by a unit of state, local, or Tribal government similar to the Town of Erwin, North Carolina. If the Town of Erwin, North Carolina has adopted the Current Expected Credit Loss (CECL) standard, it may also treat the cost of the loan as equal to the CECL-based expected credit losses over the life of the loan. The Town of Erwin, North Carolina may measure projected losses either once, at the time the loan is extended, or annually over the covered period. *Under either approach, the Town of Erwin, North Carolina is not subject to restrictions under 2 CFR 200.307(e)(1) (the deduction method) and need not separately track repayment of principal or interest.*⁸
- Revolving Loan Funds:** The Town of Erwin, North Carolina shall treat the contribution of ARP/CSLFRF funds to a revolving loan fund according to approach described above for loans with maturities longer than December 31, 2026.⁹ The Town of Erwin, North Carolina may contribute ARP/CSLFRF funds to a revolving loan only if the loan is determined to be for eligible use and the ARP/CSLFRF funds contributed represent the projected cost of loans made over the life of the revolving loan fund.

VII. ADDITIONAL PROGRAM INCOME REQUIREMENTS

- (a) **Identifying, Documenting, Reporting, and Tracking.** To ensure compliance with the requirements of program income as outlined by the Federal regulations, the terms and conditions of the ASP/CSLFRF award, and the requirements set forth herein, each department shall identify potential sources of program income and properly report the program income for the period in which it was earned and dispersed.

Program income shall be accounted for separately. The Town of Erwin, North Carolina shall not commingle program income earned from programs supported by ARP/CSLFRF funds with the general award of ARP/CSLFRF funds the Town of Erwin, North Carolina received from Treasury. Any costs associated with generating program income revenue shall be charged as expenditures to the ARP/CSLFRF award.

⁸ See question 4.11 in Treasury's Interim Final Rule FAQ document.

⁹ See question 4.11 in Treasury's Interim Final Rule FAQ document.

- (b) **Program Income Earned After the Period of Performance.** The Town of Erwin, North Carolina shall have no obligation to report program income earned after the period of performance (December 31, 2026). However, the Town of Erwin, North Carolina shall report program income expended after the period of performance if that program income was earned on or before December 31, 2026.
- (c) **Subawards.** The Town of Erwin, North Carolina agrees to ensure that any subrecipient of ARP/CSLFRF funds abides by the award of the terms and conditions of this policy and is aware that the subrecipient is responsible for accounting for and reporting program income to the Town of Erwin, North Carolina on a Monthly basis.
- (d) **Compliance with State law.** Program income shall not be expended for purposes prohibited under State law.
- (e) **Subject to Audit.** The Town of Erwin, North Carolina recognizes that its use of program income may be audited and reviewed for compliance with Federal laws and regulations, State law, and the terms of the ARP/CSLFRF award.

VIII. IMPLEMENTATION OF POLICY

The Finance Director of the Town of Erwin, North Carolina will adopt procedures to identify potential program income during the project eligibility and allowable cost review, document actual program income, and follow the requirements in this policy related to the treatment of program income.

Town of Erwin ARPA/CSLFRF Property Management Policy

WHEREAS the Town of Erwin, North Carolina has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

WHEREAS the funds may be used for projects within these categories, to the extent authorized by state law to:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

WHEREAS the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Sect. 200 (UG), as provided in the Assistance Listing; and

WHEREAS the Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds (v2.1 November 2021) provides, in relevant part:

Equipment and Real Property Management. Any purchase of equipment or real property with SLFRF funds must be consistent with the Uniform Guidance at 2 CFR Part 200, Subpart D. Equipment and real property acquired under this program must be used for the originally authorized purpose. Consistent with 2 CFR 200.311 and 2 CFR 200.313, any equipment or real property acquired using SLFRF funds shall vest in the non-Federal entity. Any acquisition and maintenance of equipment or real property must also be in compliance with relevant laws and regulations.

WHEREAS Subpart D of the UG dictates title, use, management, and disposal of real property, equipment, and supplies acquired in whole or in part with ARP/CSLFRF funds;

BE IT RESOLVED that the governing board of the Town of Erwin, North Carolina hereby adopts and enacts the following UG Property Management Policy for the expenditure of ARP/CSLFRF funds.

Property Standards for Real Property, Equipment, and Supplies Acquired with American Rescue Plan Act of 2021 Coronavirus State and Local Fiscal Recovery Funds

I. POLICY OVERVIEW

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart D, details post award requirements related to property management of property acquired or updated, in whole or in part, with funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF).

2 CFR 200.311 through 2 CFR 200.316 detail property standards related to the expenditure of ARP/CLSFRF funds. The Town of Erwin, North Carolina hereinafter the Town shall adhere to all applicable property standards, as detailed below.

II. DEFINITIONS

The following definitions from 2 CFR 200.1 apply in this policy.

Computing devices: machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. See also the definitions of supplies and information technology systems in this section.

Equipment: tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the [county/City/Town/Village] for financial statement purposes, or \$5,000. See also the definitions of *capital assets*, *computing devices*, *general purpose equipment*, *information technology systems*, *special purpose equipment*, and *supplies* in this section.

Information technology systems: computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also the definitions of computing devices and equipment in this section.

Intangible property: property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).

Personal property: property other than real property. It may be tangible, having physical existence, or intangible.

Property: real property or personal property.

Real property: land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

Supplies: all tangible personal property other than those described in the definition of equipment in this section. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the local government for financial statement purposes or \$5,000, regardless of the length of its useful life. See also the definitions of computing devices and equipment in this section.

III. REAL PROPERTY

Title to Real Property: Title to real property acquired or improved with ARP/CSLFRF funds vests with the Town 2 CFR 200.311(a).

Use of Real Property: Real property acquired or improved with ARP/CSLFRF funds must be used for the originally authorized purpose as long as needed for that purpose, during which time the Town must not dispose of or encumber its title or other interests. 2 CFR 200.311(b).

IV. Insurance of Real Property: The Town must provide the equivalent insurance coverage for real property acquired or improved with ARP/CSLFRF funds as provided to property owned by the [County/City/Town/Village]. 2 CFR 200.310.

Disposition of Real Property: When the Town no longer needs real property purchased with ARP/CSLFRF for ARP/CSLFRF purposes, the Town must obtain disposition instructions from US Treasury. The instructions must provide for one of the following alternatives:

1. The Town retains title after compensating US Treasury. The amount paid to US Treasury will be computed by applying US Treasury's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where the Town is disposing of real property acquired or improved with ARP/CSLFRF funds and acquiring replacement real property under the ARP/CSLFRF, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.
2. The Town sells the property and compensates US Treasury. The amount due to US Treasury will be calculated by applying US Treasury's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the ARP/CSLFRF award has not been closed out, the net proceeds from sale may be offset against the original cost of the property. When the Town is directed to sell property, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.
3. The Town transfers title to US Treasury or to a third party designated/approved by US Treasury. The Town is entitled to be paid an amount calculated by applying the Town's percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property. 2 CFR 200.311(c).

V. EQUIPMENT

Title to Equipment: Title to equipment acquired or improved with ARP/CSLFRF funds vests with the Town. 2 CFR 200.313(a).

Use of Equipment: The Town must use equipment acquired with ARP/CSLFRF funds for the project for which it was acquired as long as needed, whether or not the project continues to be supported by the ARP/CSLFRF award, and the Town must not encumber the property without prior approval of US Treasury. 2 CFR 200.313(a)(1)-(2).

When no longer needed for the original project, the equipment may be used in other activities supported by a Federal awarding agency, in the following order of priority:

1. Activities under a Federal award from the Federal awarding agency which funded the original project, then
2. Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems. 2 CFR 200.313(c)(1).

During the time that equipment is used on the project for which it was acquired, the Town must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the project for which it was originally acquired. First preference for other use must be given to other programs or projects supported by US Treasury and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate. 2 CFR 200.313(c)(2).

Noncompetition: The Town must not use equipment acquired with the ARP/CSLFRF funds to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal statute for as long as the Federal Government retains an interest in the equipment. 2 CFR 200.313(c)(3).

Replacement Equipment: When acquiring replacement equipment, the Town may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property. 2 CFR 200.313(c)(4).

Management of Equipment: The Town will manage equipment (including replacement equipment) acquired in whole or in part with ARP/CSLFRF funds according to the following requirements.

1. The Town will maintain sufficient records that include
 - a) a description of the property,
 - b) a serial number or other identification number,
 - c) the source of funding for the property (including the Federal Award Identification Number (FAIN)),
 - d) who holds title,
 - e) the acquisition date,
 - f) cost of the property,
 - g) percentage of Federal participation in the project costs for the Federal award under which the property was acquired,
 - h) the location, use and condition of the property, and

- i) any ultimate disposition data including the date of disposal and sale price of the property.
2. The Town will conduct a physical inventory of the property and reconcile results with its property records at least once every two years.
3. The Town will develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated by the Town.
4. The Town will develop and implement adequate maintenance procedures to keep the property in good condition.
5. If the Town is authorized or required to sell the property, it will establish proper sales procedures to ensure the highest possible return, in accordance with state and federal law.

Insurance of Equipment: The Town must provide the equivalent insurance coverage for equipment acquired or improved with ARP/CSLFRF funds as provided to property owned by the Town. 2 CFR 200.310.

Disposition of Equipment: When the equipment is no longer needed for its original ARP/CSLFRF purpose, the Town may either make the equipment available for use in other activities funded by a Federal agency, with priority given to activities funded by US Treasury, dispose of the equipment according to instructions from US Treasury, or follow the procedures below. 2 CFR 200.313(e).

1. Equipment with a per-item fair market value of less than \$5,000 may be retained, sold or transferred by the Town, in accordance with state law, with no additional responsibility to US Treasury;
2. If no disposal instructions are received from US Treasury, equipment with a per-item fair market value of greater than \$5,000 may be retained or sold by the Town. The Town must establish proper sales procedures, in accordance with state law, to ensure the highest possible return. The Town must reimburse US Treasury for its federal share. Specifically, US Treasury is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the ARP/CSLFRF funding percentage of participation in the cost of the original purchase. If the equipment is sold, US Treasury may permit the Town to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.
3. Equipment may be transferred to US Treasury or to a third-party designated by US Treasury in return for compensation to the Town for its attributable compensation for its attributable percentage of the current fair market value of the property.

VI. SUPPLIES

Title to Supplies. Title to supplies acquired with ARP/CSLFRF funds vests with the Town upon acquisition. 2 CFR 200.314(a).

Use and Disposition of Supplies: If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the ARP/CSLFRF project and the supplies are not needed for any other Federal award, the Town must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share. The amount of compensation must be computed in the same manner as for equipment. 2 CFR 200.314(a).

Noncompetition. As long as the Federal Government retains an interest in the supplies, the Town must not use supplies acquired under the ARP/CSLFRF to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute. 2 CFR 200.314(b).

VII. PROPERTY TRUST RELATIONSHIP

Real property, equipment, and intangible property, that are acquired or improved with ARP/CSLFRF funds must be held in trust by the Town as trustee for the beneficiaries of the project or program under which the property was acquired or improved. US Treasury may require the Town to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a Federal award and that use and disposition conditions apply to the property. 2 CFR 200.316.

VIII. IMPLEMENTATION OF POLICY

The Town Manager shall adopt procedures to track all real property, equipment, and supplies (collectively, property) acquired or improved in whole or in part with ARP/CLSFRF funds. At a minimum, those procedures must address the following:

- Ensure proper insurance of property
- Document proper use of property
- Working with the Finance Director, record and maintain required data records for equipment
- Conduct periodic inventories of equipment, at least every two years
- Create processes for replacement and disposition of property
- Establish other internal controls to safeguard and properly maintain property

Erwin Board of Commissioners

REQUEST FOR CONSIDERATION

To: The Honorable Mayor and Board of Commissioners

From: Snow Bowden, Town Manager

Date: March 28, 2022

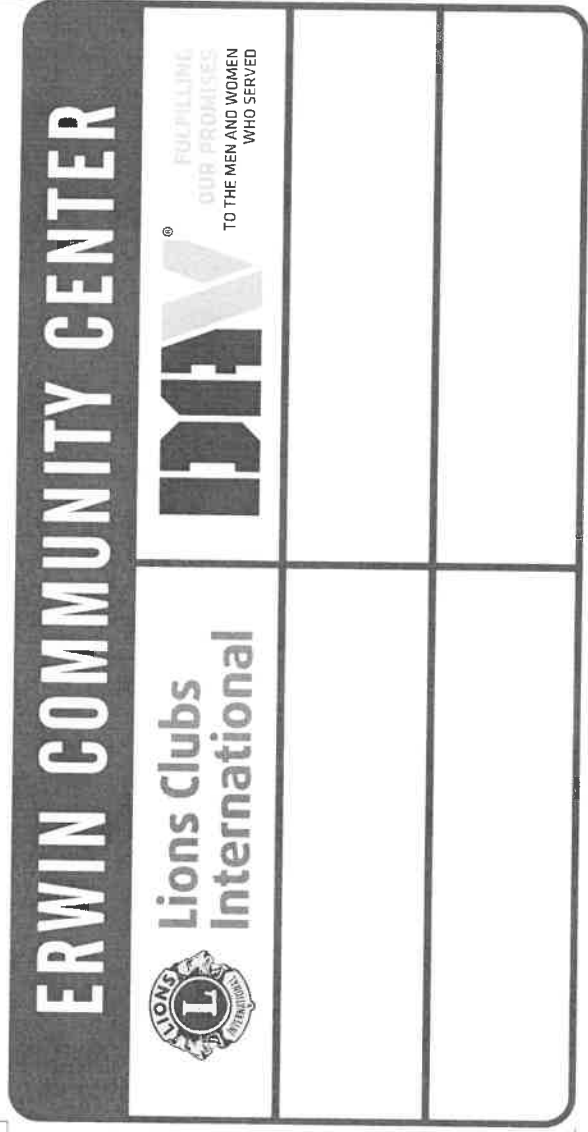
Subject: Community Building Sign

We received the proof for a sign for the Community Building that would show the organizations that use the Community Building. I am still waiting on a price from the company but I expect to have it by Monday. We need to discuss criteria for an organization to be able to have their name on the sign.

Attachments:

- Proof of proposed sign for Community Building

72.00 in



36.00 in



ERWIN COMMUNITY BUILDING
36" x 72" Wall Sign

2785 US Hwy 301 N, Dunn, NC 28334
 Ph: 910-892-5900 • Fax: 910-892-2140 • www.SignandAwning.com

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If the proof containing errors is approved, the customer is liable for all costs, including corrections and reprints. Proofs may not represent exact colors. All colors displayed may look different in person than on your computer screen due to the individual monitor or screen color settings.

Customer / Landlord Approval: _____ **Date:** _____