

# **Bay Township Financial Administration Policy Adopted and Effective July 14, 2022**

**This Financial Administration Policy adopted July 14, 2022 cancels out and supersedes:**

**“Bay Township Credit Card Policy” Resolution #2013-11-1 dated November 2013**

**“Bay Township Travel Reimbursement Policy” dated June 9, 2011**

**“Bay Township Social Security Privacy Policy” dated December 8, 2005**

**“Bay Township Investment and Depository Designation” Resolution 2011-03-1**

## **4.1 Financial Administration**

The township adopts the Michigan Department of Treasury’s *Accounting Procedures Manual* and shall comply to the extent possible with both the required policies and the best practices identified in that manual.

The following policies are intended to represent compliance with the *Accounting Procedures Manual* and BAY Township’s administrative structure and procedures. No policy manual can anticipate all possibilities that may be encountered when administering the finances of the township. The following policies establish a framework for adequate controls over the financial administration processes. When questions arise, the township board must refer to this manual and agree to a solution to the question, and add, delete or amend this manual.

## **Budget**

### **4.2 Development**

The township shall use the following approaches to develop the budget, as recommended by the Government Finance Officers Association:

- The budget shall be based on expected revenues, including base revenues, any new revenue sources and the potential use of fund balance.
- The results or outcomes that matter most to citizens will be identified, and based on that, the township board shall determine what programs are most important to their constituents.
- The budget allocations shall be made in a fair and objective manner.
- The board shall budget available dollars to the most significant programs and activities to maximize the benefit of the available resources.

### **4.3 Timetable**

The proposed budget shall be developed according to the following schedule:

<b>Date</b>	<b>Activity</b>
DEC	Budget policies developed by township board
JAN	Budget officer meets with department heads
FEB	Township board adopts tentative budget
MAR	Budget public hearing held by township board
MAR	General Appropriations Act adopted

#### **4.4 Methods**

The township board shall use the line-item approach when developing the proposed budget.

The budget shall be adopted at the revenue by source and expenditures by activity level.

#### **4.5 Format**

The proposed and adopted budgets shall:

- Provide financial data on revenues, other resources and expenditures for at least a three-year period, including prior year actual, current year budget and/or estimated current year actual, and proposed budget

The proposed and adopted budgets shall also include a narrative that:

- Summarizes the major changes in priorities or service levels from the current year and the factors leading to those changes
- Identifies the priorities and key issues for the new budget period
- Identifies and summarizes major financial factors and trends affecting the budget, such as economic factors; long-range outlook; significant changes in revenue collections, tax rates or other changes; current and future debt obligations; and significant use of or increase in fund balance or retained earnings.

## **Budget Adoption**

#### **4.6 Adoption**

Prior to the beginning of each fiscal year, the township board shall annually adopt a budget as directed in the General Appropriations Act.

The board shall monitor and amend the budget as needed to approve and control all expenditures on a quarterly basis.

#### **4.7 Designation of Budget Officer**

The supervisor and clerk shall be the township budget officer and shall be responsible for the development and administration of the township budget.

#### **4.8 Budget Monitoring**

The township shall use the following approaches to monitor the budget, as recommended by the Government Finance Officers Association:

- The board shall establish measures of annual progress. These measures should spell out the expected results and outcomes and how they will be measured.
- The board shall use periodic financial reporting and performance measures to compare actual versus budgeted results.
- The board shall communicate performance results so that township personnel and the public will be informed of the results in an understandable format.

## **Fund Balance**

#### **4.9 Fund Balance**

The township board shall budget for a general fund balance that equals at least 90% of projected expenditures or twelve (12) months of operating revenues.

## **Audit**

### **4.10 Audit**

The township board shall contract with a certified public accountant to audit the financial systems of the township on a biennial basis. The audit contract may be for a period up to three years, but shall not exceed the current board's term of office.

## **Fiduciary Bonds**

### **4.11 Fiduciary Bonds**

The township shall provide a surety bond for all township officials required by law to be bonded. The township shall provide a public employee dishonesty bond for all employees authorized to handle money.

## **Financial Reports**

### **4.12 Periodic Expenditure and Revenue Report**

The **clerk** shall prepare a **quarterly** financial report for the board. The report will be current through the last day of the previous month, and shall be presented to the board at its meeting. The financial report for each fund will show the following information for revenues and expenditures:

1. Account number
2. Description
3. Amended budget
4. Current period
5. Year to date
6. Budget balance

### **4.13 Periodic Balance Sheet Report**

The **clerk** shall prepare a **quarterly** balance sheet showing the assets, liabilities and equities for each fund.

### **4.14 Investment Performance Report**

The treasurer shall prepare a **monthly** report of all interest-bearing activities, including the name of the financial institution, type of investment, anticipated yield and date of maturity.

### **4.15 Summary Report of Cash Activity by Fund**

The treasurer shall provide the township board with a monthly summary report of cash activity by fund and a summary report of cash activity by bank account, certificate of deposit and investment account.

### **4.16 Financial Reports Review**

The **Supervisor and/or Clerk** shall review the financial reports prior to the board meeting, and shall recommend to the board any necessary budget amendments or fund transfers.

## **Internal Controls**

#### **4.17 Financial Employee Training**

The township shall provide education and training for township officials and other personnel involved in financial administration on accounting procedures, investments, budgeting and fraud prevention as annually approved in the township budget.

#### **4.18 Segregation of Duties**

The functions of authorizations, recordkeeping and processing financial transactions shall be segregated where possible.

#### **4.19 Reconciliations**

The cash balances of the various fund ledgers shall be reconciled to the bank statements monthly. The treasurer must keep track of the total cash and investments allocable to each fund and must reconcile these amounts to each month's bank statements.

A listing of all cash and investments, along with a copy of the bank reconciliations, must be provided to the clerk each month.

The clerk must reconcile the cash and investments recorded in the general ledger to either the treasurer's reconciliation or to the bank statements directly.

Bank statements and reconciliations shall be retained for audit purposes.

## **Cash Handling and Receipting**

#### **4.20 Authorization to Receive Cash**

The following employee positions are authorized to receive cash: treasurer and zoning administrator.

#### **4.21 Receipting of Cash Receipts**

The treasurer (or other position, if authorized by the treasurer) is responsible for all cash receipts. There must be a record of all individual cash transactions, including receipts in triplicate form. All cash transactions must be recorded using a sequentially pre-numbered document. The receipt shall include the amount received, method of payment, name of the payer, purpose and name of staff receiving payment.

All remittance advices received shall be attached to a duplicate pre-numbered document. Checks must be stamped for "deposit only" at the point and time of collection. Checks returned for insufficient funds or closed accounts should be forwarded to the treasurer for reconciling.

On a weekly basis, authorized individuals who receive cash shall turn over all cash and a copy of all issued receipts to the treasurer intact.

#### **4.22 Posting of Cash Receipts**

The Treasurer shall provide the Clerk a record of all money received and the purpose of the amount received (i.e., the budgeted revenue account or the receivable account). The clerk shall be provided with a copy of voided or canceled receipts marked "voided."

The Clerk will post each receipt to the receipts journal in numerical order to the proper bank account, fund and revenue account.

#### **4.23 Deposit Procedures**

Total cash collected shall be reconciled to the sum of the pre-numbered receipts. Deposits shall be made intact, with no reductions to deposits made for expenditures, and must be reconciled to official receipts. Deposit tickets (or attached listing) shall list checks by name or number, and amount. Total cash collected shall be deposited at least once a week, in the appropriate township bank account. Undeposited funds shall be secured in a lockable file.

## **Depositories**

### **4.24 Bank Accounts**

All bank accounts shall be in the name of the township and the township treasurer. The use of the township's tax ID number shall be strictly controlled by the treasurer, and it shall not be used to open non-township bank accounts.

Tax collections shall be deposited in a separate bank account in the name of the treasurer.

Bank signature cards shall be kept current and the authorized signers limited to the township clerk, deputy clerk, treasurer and deputy treasurer.

### **4.25 Authorized Depositories**

This policy is applicable to all public funds belonging to the township and in the custody of the township treasurer. The treasurer is authorized to deposit funds in approved financial institutions and administration of investments in conformance with state and federal law and policies as set forth in this resolution.

The township board authorizes the following financial institutions as depositories of township funds:

Huntington Bank

4 Front Credit Union

Charlevoix State Bank

The treasurer shall recommend financial institutions for approval for the safekeeping of township funds based on an evaluation of the performance and solvency of the institution, as well as past performance in exercising due care and prudence in managing the custody of township funds held in trust, if applicable. The treasurer shall periodically evaluate approved and potential financial depositories and shall make recommendations as to appropriate changes in approved depositories when warranted.

In determining safekeeping and custody qualifications, financial institutions document a minimum capital requirement of at least \$10,000,000 and at least five years of operation. All financial institutions and brokers/dealers shall be pre-qualified by supplying the following:

- Audited financial statements
- Proof of NASD certification, or FDIC or NCUA insurance
- Proof of state registration
- Certification of having read, understood and agreement to comply with the Bay Township investment policy.

The treasurer shall annually examine the financial condition and registrations of qualified financial institutions and brokers/dealers by obtaining annual updates of the information listed above.

### **4.26 Control of Cash and Investments**

All cash and investments shall be under the control of the township treasurer. No other individual shall hold cash of the township or open a bank account to hold township cash or investments.

#### **4.27 Authority to Make Bank Deposits**

The township treasurer is responsible for making all bank deposits. The treasurer may authorize other township personnel to make deposits if the township board has agreed to incorporate that function in the job description for that position.

The following positions are authorized by the treasurer to make bank deposits: Deputy Treasurer.

## **Investments**

#### **4.28 Notice of Investment Policy**

The senior management of any firm, dealer, broker or financial institution shall be given a copy of the township's investment policies prior to the treasurer investing or depositing any township funds in such institution.

#### **Depositories**

The following financial institutions may be used as depositories of township funds:

Huntington Bank

4 Front Credit Union

Charlevoix State Bank

#### **Investments**

The treasurer may invest township funds in certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, but only if the bank, savings and loan association, or credit union meeting all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

The prior approval of the township board shall be required for the treasurer to invest in any other lawful investment instruments. The township board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio.

#### **Compliance with State and Federal Laws**

The township shall comply with all applicable statutes related to public fund investments. Any provisions of this resolution in conflict with applicable statutes is void.

## **Accounts Receivable**

#### **4.29 Accounts Receivable**

The Treasurer shall be responsible for processing all accounts receivables.

## **Accounts Payable**

#### **4.30 Accounts Payable**

The township clerk/deputy clerk shall be responsible for processing all accounts payable. The clerk may designate other township personnel to process accounts payable if the township board has agreed to incorporate that function in the job description of that position.

#### **4.31 Processing of Claims**

Requests for payments to vendors shall be documented in writing by a vendor invoice or, in the few instances where no invoice is forthcoming, by a written request by the department head requesting payment. Except for rare exceptions, only original invoices shall be processed for payments, as statements or copies of invoices may result in duplicate payments. Appropriate documentation (supporting invoices) shall be attached for all disbursements. Original bills, not copies, must be used for documentation.

Employee expense reimbursements shall be documented on an expense voucher prepared by the employee. All invoices, departmental check requests and expense vouchers shall include the following:

1. Vendor name
2. Purpose of payment request
3. Unit price and units delivered (if applicable)
4. Date goods delivered or services rendered
5. The related purchase order (if applicable)

all requests for payments shall be approved by the department to which the expense shall be posted by initialing the document.

all requests for payment shall be submitted to the Clerk by the first Friday of the month.

the Clerk shall verify the payee, amount, purpose and the disbursing fund of each request. after verification, the clerk shall prepare a warrant, enter it into the general ledger and make a copy for township records.

#### **4.32 Claims Reports**

The Clerk shall prepare a Warrants report to the board showing the fund, vendor name, nature of the expense, invoice number and warrant number (i.e., check number). Any items paid prior to board audit shall be noted on the warrant report or on a separate report.

Invoices and bills supporting the claims report shall be available for board member review at the board meeting. Board members are responsible for scrutinizing the bills prior to board approval.

#### **4.33 Board Approval Required for all Claims**

All claims shall be approved by the township board prior to payment, with the exception of tax collection disbursements:

ACH PAYMENTS:     DTE  
                          Chase Credit Card  
                          Great Lakes Energy

#### **4.34 Board Post-Audit Authorized for Certain Claims**

Only the following types of claims may be paid by disbursements made prior to board audit and approval:

The Supervisor may authorize emergency expenditures when deemed essential due to the imminent threat to the health, safety and welfare of the township.

Any claims authorized under this policy prior to board approval shall be post-audited at the next board meeting.

#### **4.35 Check Controls**

Numerically controlled, pre-numbered checks shall be used. Checks shall not be signed prior to being completely filled out. Cleared checks must be returned to the township or electronically stored.

#### **4.36 Authorized Check Signers**

The following officials are the only persons authorized to sign checks:

- Clerk or deputy clerk only when clerk is unavailable.
- Treasurer or deputy treasurer only when treasurer is unavailable.

#### **4.37 Check Processing**

Each check, shall be signed by the clerk or deputy clerk to document board authorization of that payment and forwarded to the treasurer-following the board meeting at which they were approved.

The treasurer or deputy treasurer shall verify that the funds are available, sign the check, and distribute it.

#### **4.38 Electronic Payment (ACH) Definitions**

“Automated clearing house” or “ACH” means a national and governmental organization that has authority to process electronic payments, including, but not limited to, the national automated clearing house association and the federal reserve system.

An “ACH arrangement” means the agreement between the originator of the ACH transaction and the receiver of an ACH transaction.

An “ACH transaction” means an electronic payment, debit or credit transfer processed through an automated clearinghouse.

An “ACH policy” means the procedures and internal controls as determined under this written policy developed and adopted by the township treasurer.

#### **4.39 Authority to Enter into ACH Arrangements and Electronic Transfers of Public Funds**

The township treasurer may enter into an ACH arrangement.

The clerk presents a list of bills for payment including ACH e-pay, for township board approval. the board approves all transactions excluding ach payments listed in 4.8 above prior to disbursement.

The clerk shall retain all invoices for audit purposes.

#### **4.40 Credit Card Use Policy**

The clerk is responsible for issuing, accounting for, monitoring, retrieving and generally overseeing compliance with the township’s credit card policy.

Township credit cards may be used only by the clerk and treasurer of the township for the purchase of goods or services for the official business of the township.



The clerk and treasurer who use a township credit card shall, as soon as possible, submit a copy of the vendor's credit card slip to the clerk. All credit card slips shall include the name of vendor or entity from which goods or services were purchased, the date and the amount of the transaction, the official business that required the transaction, and the chart of account number indicating the line item to which the transaction is to be charged.

The clerk and treasurer are responsible for its protection and custody. If a credit card is lost or stolen, the clerk and/or treasurer shall notify the entity issuing the lost or stolen credit card immediately to cancel the card.

The clerk and/or treasurer shall immediately return the credit card to the board upon resignation or term expiration with the township.

The clerk shall review each credit card statement as soon as possible to ensure that transactions comply with this policy. Any transactions that appear on the statements that are not documented with a credit card slip or a signed voucher shall be immediately investigated. Transactions that do not appear to comply with this policy shall be reported to the township board.

The clerk shall approve an early ACH payment to the entity issuing the credit card once verifying all transactions.

The balance, including interest due on an extension of credit under the credit card arrangement, shall be paid for within not more than 30 days of the initial statement date through ACH.

The clerk and/or treasurer who use a township credit card in a manner contrary to this policy shall be subject to reimbursement to the township for unauthorized expenditures, legal action and criminal liability.

## **Tax Account Disbursements**

### **4.41 Tax Account Disbursements**

The township treasurer shall create a separate bank account in the name of the treasurer and shall account for the tax fund separately from other township funds. The treasurer shall provide the clerk with summaries of tax receipts and copies of all checks written from the tax account so the clerk can enter the information into the township's accounting system.

## **Expense Reimbursements**

### **4.42 Expense Reimbursements**

The township shall reimburse all officials and employees for necessary expenses incurred in performing their duties. Authorization for any travel or business expense shall be obtained prior to incurring the cost.

### **4.43 Expense Documentation and Requests**

Expenses requested for reimbursement shall be substantiated with actual detailed receipts or other documentation such as a mileage log.

### **4.44 Allowed Expenses**

All expenses requested for reimbursement shall be for amounts that a reasonable, prudent person would conclude benefits the township. Personal expenses that are unnecessary in conducting township business, such as entertainment and alcohol consumed, shall not be eligible for reimbursement. Commuting from residence to the township hall or the official or employee's

official work location shall not be eligible for reimbursement. Board and commission members shall not receive mileage to attend board meetings that are a statutory duty of their office/position.

#### **4.45 Travel Reimbursement**

Travel shall be reimbursed at the IRS mileage rate when the employee uses his or her own vehicle to conduct township business. Commuting from residence to the township hall or the employee's official work station shall not be eligible for reimbursement. Township board and committee members shall not receive mileage to attend board meetings that are a statutory duty of their office.

Meals will only be paid if travel is greater than 50 miles from the township hall. Breakfast expenses will be paid only if travel commences before 6:30 a.m. and dinner will be paid only if travel extends beyond 7 p.m.

## **Identity Theft Prevention**

### **Social Security Number Privacy Policy**

#### **4.46 Social Security Number Privacy Policy**

It is the policy of the township to protect the confidentiality of Social Security numbers obtained in the ordinary course of township business from employees, vendors, contractors, customers or others. No person shall knowingly obtain, store, transfer, use, disclose or dispose of a Social Security number that the township obtains or possesses except in accordance with the Michigan Social Security Privacy Act (Public Act 454 of 2004) and this privacy policy.

Social Security numbers shall be collected only where required by federal and state law or as other-wise permitted by federal and state law for legitimate reasons consistent with this privacy policy.

Legitimate reasons for collecting a Social Security number include, but are not limited to:

- Applicants may be required to provide a Social Security number for purposes of a pre-employment background check.
- Copies of Social Security cards may be obtained for purposes of verifying employee eligibility for employment.
- Social Security numbers may be obtained from employees for tax reporting purposes, for new hire reporting or for purposes of enrollment in any township employee benefit plans.
- Social Security numbers may be obtained from creditors or vendors for tax reporting purposes.

#### **4.47 Public Display**

The township shall not place more than four sequential digits of a Social Security number on identification cards, badges, time cards, employee rosters, bulletin boards, permits, licenses, or any other materials or documents designed for public display.

Documents, materials or computer screens that display all or more than four sequential digits of a Social Security number shall be kept out of public view at all times.

#### **4.48 Account Numbers**

The township shall not use all or more than four sequential digits of a Social Security number as a primary account number for an individual.

#### **4.49 Computer Transmission**

The township shall not use or transmit all or more than four sequential digits of a Social Security number on the Internet or on a computer system or network unless the connection is secure or the transmission is encrypted.

#### **4.50 Mailed Documents**

Township documents containing all or more than four sequential digits of a Social Security number shall be sent only in cases where state or federal law, rule, regulation, or court order or rule authorizes, permits or requires that a Social Security number appear in the document. Documents containing all or more than four sequential digits of a Social Security number that are sent through the mail shall not reveal the number through the envelope window or otherwise be visible from outside the envelope or package.

#### **4.51 Freedom of Information Act**

Where all or more than four sequential digits of a Social Security number are contained within a document subject to release under the Freedom of Information Act, the Social Security number shall be redacted (blacked out) or otherwise rendered unreadable before the document or copy of a document is disclosed.

#### **4.52 Storage**

All documents containing Social Security numbers shall be stored in a physically secure manner. Social Security numbers shall not be stored on computers or other electronic devices that are not secured against unauthorized access.

#### **4.53 Access to Social Security Numbers**

Only the clerk, deputy clerk and/or records retention personnel who have legitimate business reasons to know shall have access to records containing Social Security numbers.

#### **4.54 Disposal**

Documents containing Social Security numbers shall be retained in accordance with the requirements of state and federal laws. At such time as documents containing Social Security numbers may be disposed of, such disposal shall be accomplished in a manner that protects the confidentiality of the Social Security numbers, such as shredding.

## **Expenditure Authorization**

#### **4.55 Expenditure Authorization**

The township shall not be responsible for any obligations incurred by an official or employee that is contrary to the provisions of these administrative policies and procedures or any other financial administration policies adopted by the township board.

## **Bids and Quotes**

#### **4.56 Dollar Threshold Requiring Written Quotations**

Any purchase for goods or services exceeding a cost of \$1,500 prefers competitive quotes when possible unless the vendor is a preferential vendor and is keeping price and service the same or within a reasonable increase based upon inflation.

Separating the work of vendors into smaller invoices is a violation of this policy.

#### **4.57 Exceptions**

Quotes and competitive bids are not required for the following purchases:

- Small purchases up to \$1,500.

- Sole source procurement (where only a single source is available or when the township is participating in a purchasing pool, such as the “Buy Michigan First” or MiDEAL programs provided by the State of Michigan)
- Emergency purchases such as repairs that cannot wait for authorization.

#### **4.58 Award of Bids**

The criteria for awarding bids or requests for proposals shall be as follows

- Cost
- Experience
- Reliability
- Sufficiency of equipment
- Insurance
- References
- Good communication

CERTIFICATE

I, Wendy Simmons, the duly elected and acting Clerk of Bay Township, hereby certify that the aforementioned policy was adopted by the Board of Trustees of Bay Township at a meeting of said Board held on July 14, 2022, at which meeting a quorum was present, by a roll call vote of said members as therein set forth; that said resolution was ordered to take effect July 14, 2022.

A handwritten signature in black ink that reads "Wendy Simmons". The signature is written in a cursive, flowing style.

Bay Township Clerk