

POLICY 2021-009
VILLAGE OF ONTONAGON
FINANCIAL ACTIVITIES POLICY

Approved: June 28, 2021

Last Modified: June 24, 2021

PURPOSE

The purpose of this Accounting, Auditing and Financial Reporting Policy is to establish and maintain high standards for accounting practices in the Village of Ontonagon ("Village"), thereby enabling voters, the Village Council ("Council") and the Treasurer to make sound decisions in preparing and adopting the Village budget and managing Village finances.

ACCOUNTING

The accounting practices of the Village will conform to Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB). The treasurer will establish and maintain a system of fund accounting and shall measure financial position and results of operations using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for propriety and fiduciary funds.

BANK RECONCILIATIONS

Bank statements are to be reconciled to the general ledger for all savings and checking accounts on a monthly basis. Certificate of Deposit accounts are to be reconciled at least annually (for audit purposes). CD accounts may be balanced more often as interest payments are received. The following steps are to be followed to prepare bank reconciliations:

- A. Once a bank statement is received (either by mail or electronically), the balance on the bank statement is to be compared to the corresponding general ledger account. If the balances are equal, the bank reconciliation is completed once documentation (Step D below) has been done.
- B. If the statements do not equal each other, the GL Balancing spreadsheet is to be used to identify the open transactions that exist between the bank statement and general ledger. Open transactions are to be investigated to determine if the transaction is either an unrecorded difference, a timing difference or an error.
- C. Open transactions that are found to be unrecorded differences are to be posted to the general ledger. Open transactions that are found to be timing differences are to be adjusted against the bank statement (left on the GL Balancing spreadsheet). Errors are to be corrected by either adjusting the general ledger or contacting the appropriate bank to resolve the issue.
- D. Documentation is the final step to complete bank reconciliations. Documentation is to be initialed by the employee who completed the bank reconciliation along with another employee who reviews the documentation. Documentation shall include the bank statement, the corresponding GL Activity Report and the corresponding GL Balancing spreadsheet (if open

transactions remain). The documents are to be converted into a pdf and maintained in the appropriate Balancing folder.

DEPOSITS

- A. All deposits are to be verified and initialed by two authorized employees.
- B. If applicable, deposit documentation is to be scanned into the BS&A system.

ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

Invoice Processing

- A. Invoice processing for payments are to be made on original invoices received from vendors.
- B. All invoices must reference the appropriate purchase order.
- C. All invoices received must be stamped with the date received and scanned into the AP system to be processed.
- D. Upon receipt of the vendor invoice, invoice data is entered in the AP system and the invoice is matched to the purchase order. Invoices must be approved by the Finance Committee or an individual who has been given authority by the Finance Committee before payment is made (with the exclusion of utilities and other date sensitive billings.)
- E. Before processing an invoice for payment, the following is to be verified:
 - Purchase order number, vendor name and amount on the invoice match the purchase order
 - Items on the invoice match the purchase order line items
 - Remit address on invoice matches AP system address
 - General ledger accounts appear appropriate, based on the current chart of accounts
 - Due dates on all registrations and dues to ensure timely payment
 - Payment is made from an invoice (not a quote or statement)
 - Payment type is accurate
 - Invoice and support documentation are submitted
 - Invoice has not already been paid if a duplicate invoice is received for processing. If a duplicate payment is made, the payment made in error should be voided. If the duplicate payment is discovered after the check is cashed, the vendor shall be billed for overpayment.
- F. All checks must be signed by at least two authorized employees.

MONTHLY FINANCIAL REPORTING

The treasurer or designated official will prepare monthly financial reports for the Council's management purposes. These will consist of:

Balance Sheets: These reports will show Village assets less liabilities and the fund balance for all funds.

Revenue and Expenditure Reports: These reports will detail revenues and expenditures and the difference between the two for the period. These reports will also compare revenues and expenditures to the budget for the previous month with the variance from the budget amounts for each line item.

Check Register Reports: These reports will include check numbers, vendors and amounts. The Check Register Report is to be matched against current invoices on a monthly basis.

REQUIRED ANNUAL REPORT FILINGS

The treasurer or other designated official will prepare annual financial reports. The auditor may also prepare the reports with the assistance of the treasurer or other designated official. These will consist of:

Form F-65 Annual Local Unit Fiscal Report: The Village is required to file the Annual Local Unit Fiscal Report (Form F-65) with the State Treasurer in accordance with Public Act 71 of 1919, Public Act 2 of 1968 and Public Act 275 of 1980. Form F-65 must be received by the Michigan Department of Treasury within six months after the end of the Village's fiscal year and must be filed annually regardless of the filing requirements for an audit. Failure to timely file Form F-65 may cause the Village's State Revenue Sharing money to be withheld. (MCL 141.921)

The Village's due date to file Form F-65 is September 30th.

Annual Audits: Annually, the Council will cause the Village financial statements to be audited by a qualified, properly licensed independent accounting firm. The audit must be filed with the Department of Treasury no later than six months after the Village's fiscal year end.

The Village's due date to file the annual audit is September 30th.

Deficit Elimination Plans: A fund deficit is defined as a situation where, for any fund, the following formula produces a negative end of year fund balance:

- Beginning of year fund balance (deficit);
- Plus revenues and transfers in;
- Minus expenditures and transfers out;
- Equals end of year fund balance (deficit).

For propriety fund types (enterprise or internal service), replace "fund balance" with "unrestricted net assets."

If any fund ends its fiscal year in a deficit fund balance, the Village must draft and file a financial plan with the Michigan Department of Treasurer within 90 days after the beginning of the next fiscal year to correct the condition. A plan generally should be for one year but in no case longer than five years. Fund deficits are determined at the individual fund level, not at the Village-wide level. The Village may implement the plan once the Department of Treasury certifies it. If the Village fails to comply with the above requirements, an amount equal to 25% of the Village's State-Shared Revenue funding will be withheld until the requirements are met. (MCL 141.921)

The Village's due date to file Deficit Elimination Plans (if required) is June 30th.

Municipal Finance Qualifying Statement: Under the Revised Municipal Finance Act, Public Act 34 of 2001, the Village is required to submit annually a Municipal Finance Qualifying Statement (Form 3883) within 6 months from the end of each fiscal year to the Local Audit and Finance Division of the Michigan Department of Treasury. In addition, if the Village is authorized to issue municipal securities on their own behalf and in their own name, they must separately submit a qualifying statement.

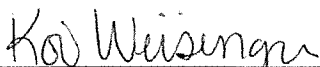
Act 51 Road and Street Financial Report: The Village must file an Act 51 Road and Street Financial Report. Information for the Act 51 report reflects the revenues and expenditures of all road and street work and conforms to the requirements of Public Act 51 of 1951, as amended. The completed report must agree with the audited financial statements, with the exception of any road and street work that was recorded in funds other than the Major and Local Street Funds. The report must be received by the Michigan Department of Transportation (MDOT) no later than 120 days after the municipality's fiscal year end. An extension of the filing deadline must be received by MDOT, in writing, before the due date. A copy of the municipality's audited financial statements must also be submitted to MDOT within six months after the municipality's fiscal year end.

The Village's due date to file the Act 51 Road and Street Financial Report is July 31st.

The Act 51 Road and Street Financial Report must be filed by December 31st or the Village will be ineligible for its Winter Maintenance Payment. Failure to comply will also result in the withholding of Michigan Transportation Fund payments.

FINANCE COMMITTEE OVERSITE

- A. The Finance Committee is to meet at least monthly.
- B. The committee's primary function is to provide oversight by reviewing the monthly financial reports which include: Balance Sheets, Revenue and Expenditure Reports and Check Register Reports (along with corresponding invoices).
- C. The committee's secondary function is to verify that Bank Reconciliations are being performed. The committee is to "spot-check" at least one account per month to formally document that the reconciliations are complete. This will also help verify that the Balance Sheets and Revenue and Expenditure Reports are accurate.
- D. Finally, the committee is to report any issues to the full council.


Kori Weisinger, Clerk/Treasurer