

Town of China

Internal Financial Controls Policy

Definitions

TRIO

The municipal software that the town uses to process all cash receipts, accounting transactions and reports, payroll and assessing functions. We contract with Harris Local Government annually.

General Accounting System (GAS)

GAS provides a fund-based general ledger with a chart of accounts, posting of journal entries, reporting capability, accounts payable program, and other features, including municipal budgeting and payroll.

Cash Receipts

The Cash Receipts system produces a receipt for each transaction, interfaces with and posts to the Tax Collections system, creates a journal entry crediting appropriate revenue and balance sheet accounts, and prepares detailed reports of each day's transactions.

Accounts Payable

The Accounts Payable system prepares the vendor portion of the municipal disbursements warrant, prints checks, produces a check register, and calculates and makes a journal entry. It stores data pertaining to each vendor, including payments made, IRS information, insurance information, etc.

Payroll

The Payroll system contains data for each municipal employee. The system produces the payroll portion of the municipal disbursements warrant, prints checks and a check register, prepares a journal entry, makes various payroll reports, etc.

Controls

Passwords

Each person accessing TRIO or any other password protected application shall be assigned and use a unique user ID and password. User IDs and passwords will be maintained as confidential records, stored in a safe or vault, only accessible for device, software or file recovery and other lawful purposes. (26 M.R.S.A. §618)

Journal Entries

Except for the automatic journal created in conjunction with processing the vendor payments for the biweekly warrant and the automatic journal created daily, all manual journal entries are made by the Treasurer, Deputy Treasurer or Assigned Deputy Clerk and approved by the Town Manager or Deputy Treasurer.

Monthly interest postings, changes in accounts (new account set up or closed accounts), transfers between the sweep accounts and similar transactions are completed by the deputy clerk/accountant assigned to the job. All transactions of this nature are reviewed and signed off by the Treasurer or Deputy Treasurer.

Other types of entries made by the Treasurer or Deputy Treasurer include opening entries, correcting entries, budget and budget adjustment entries. The printed copy of each entry is filed (with supporting documents, if available) in the journal entry file folder.

Cash Receipts

Payments to the Town are processed through TRIO on the day they are received by one of the clerks or the Code Enforcement Officer. All cash transactions are receipted by the clerks immediately. The CEO does not handle cash. Each clerk has his/her own cash drawer and balances it daily. Any shortages or overages are addressed by the Town Clerk and Town Manager.

From time to time one of the clerks may enter a "non-cash" transaction in the Cash Receipts System. This type of entry is usually to correct an error or to credit abatements. Back up documentation is kept on file for correction.

At closing and at other times as deemed prudent, the Town Clerk and Deputy Clerks print their own teller report, and once everyone balances for the day, the daily cash receipt audit is run and the cash, checks, credit card receipts and reports are locked in the safe for the night. The next morning two clerks confirm monies in each teller bag, balance the transactions and complete a bank deposit. The proposed journal entry (for the Cash Receipts Summary) is delivered to the clerk for processing. The other day-end reports are assembled and filed in date order in binders.

If a clerk has received more than \$1,000 in cash on any given day, the clerk will process a deposit for the amount and note it on their end of day report. To minimize the risk of loss, no more than \$1,000 should be maintained in cash at the Town Office at the conclusion of any day.

Fees are collected at the Transfer Station by all employees. A receipt is produced for each transaction. Each employee has his/her own cash bag. Each employee will create a daily report and balance their cash bag. Transactions are balanced and confirmed with amounts on the daily cash receipt audit report. Any overages or shortages should be addressed by the Transfer Station Site Supervisor and Town Manager. The Transfer Station receipts will be promptly delivered to the Town Office for deposit.

Bank Deposits

Deposits are prepared by the Town Clerk or Deputy Clerks daily. Each deposit contains an adding machine tape total of the checks and cash received. Two tapes are run, one to accompany the deposit and one to be retained with the deposit slip copy. Each deposit slip, the listed checks, and the appropriate amount of cash are placed in a bank bag and given to the Town Manager or another Town employee designated by the Town Manager. The Town Manager or his/her designee transports the bank bag deposits to the bank daily. The Town Manager/designee will typically deliver deposits to the teller window and following the bank's processing of the deposit. It is sometimes necessary to use the night deposit. For each deposit, a bank bag will be retrieved with the deposit receipt inside which is matched with the corresponding deposit slip copy in the deposit book.

Disbursement Warrants

The Treasurer, Deputy Treasurer or Assigned Deputy Clerk prepares the municipal accounts payable warrant and the Treasurer, Deputy Treasurer or Human Resources prepares the payroll warrant biweekly. All payables and payroll checks require two signatures for disbursement.

Municipal Warrant – Payables

Department Heads will review all invoices and approve with a signature and designate an account number from which the bill is to be paid. The Treasurer or Deputy Treasurer receives invoices, reviews them and enters each into TRIO. Each bill, along with supporting documentation, is kept alphabetically in a designated folder. Warrant folders are presented to the Town Manager and Select Board for review and consideration. Once approved, Board members sign the warrants. In the days following the approval, checks are processed, and journals are posted. It shall be the policy of the Town of China to authorize the disbursement of state fees when a warrant is approved by one or more designated municipal officers (30-A M.R.S. §5603, Para. 2. A. (3), and 30-A M.R.S. §2001, Para. 10. A.). It shall be the policy of the Town of China to require written itemization of proposed expenditures prior to approving a warrant for partial or lump-sum disbursements of public monies to such organizations. (30-A M.R.S. §5721-5730; 29 CFR § 553.101-106)

Municipal Warrant – Payroll

The payroll is prepared by the Treasurer, Deputy Treasurer, Human Resources, Deputy Human Resources or Assigned Deputy Clerk. The employee work week runs from Sunday to Saturday. Time sheets are submitted following the last day worked during the period. Most employees submit an electronic time sheet reviewed and approved by their supervisor. A few employees (mostly occasional employees) submit written time sheets.

The payroll warrant is prepared and presented to the Select Board for approval. Once the payroll warrant is approved, the Treasurer, Deputy Treasurer or Deputy Human Resources also completes all appropriate deposits and weekly, monthly, quarterly, and yearly reporting. Associated journals are posted. It shall be the policy of the Town of China to authorize the disbursement of employees' wages and benefits when a warrant is approved by one or more designated municipal officers (30-A M.R.S.A. §5603, Para. 2.A.(1), and 30-A M.R.S.A.

§2001, Para. 10.A.).

Investments

Town funds are invested as recommended by the Town of China Budget Committee, whose membership is determined by the "Town of China Budget Committee Ordinance" (2006), established under the authority of 30-A M.R.S.A. § 3001 et seq., and as approved by the Select Board.

General Operating Funds

Surplus General Fund monies may be invested in one or more Certificates of Deposit/CDARS in financial institutions with places of business in Central Maine. All invested funds must be insured completely by the FDIC or collateralized by Federal Reserve notes issued by the institution at which the funds are deposited.

The financial institutions may be commercial banks, savings banks, credit unions, savings and loan associations, etc., as long as the investments, individually or collectively are fully covered by the FDIC or collateralized by Federal Reserve notes by the institution at which the funds are deposited/held.

Except for said Certificates of Deposit/CDARS, all the Town's General Fund monies shall be placed in a Cash Management Sweep Account in a financial institution with a place of business in Central Maine. The daily amounts not needed to cover checks presented to the institution for payment shall be invested by said institution for the Town's credit in collateralized Repurchase Agreements or Federal Reserve notes, per the Town's contract with the financial institution.

Trust Fund Portfolio

The Town's Trust Funds shall be invested in securities (stocks, bonds, money market accounts, etc.) as recommended by the Budget Committee and approved by the Select Board.

Reports

The Treasurer, Deputy Treasurer or Deputy Human Resources prepares the following financial reports at the indicated frequencies (see 30-A M.R.S.A. §5603):

- * Revenue and Expenditure Budgetary Reports -- at least monthly
- * Unemployment Compensation Reports & Maine Pers -- quarterly
- * Federal and State tax reports for the Internal Revenue Service & Maine Revenue Service -- as rules apply
- * Employee's tax reports -- annually
- * Vendor's 1099s -- annually
- * Investments Reports to the Budget Committee -- quarterly
- * Year-end reports for the auditor -- annually
- * Special reports -- as needed

Daily cash receipt reports generated by the Town Clerk are outlined previously in the *Cash Receipts* section.

Reconciliations

The Accounting Clerk makes the reconciliations of financial balances. Reconciliations are routinely done for these ledger accounts:

- * 'Cash' compared to bank statement balances. This is done for each deposit account.
- * All Property Tax Receivable accounts compared to the printouts of unpaid tax accounts.
- * Motor Vehicle Registration Fees payable (to the State).
- * Inland Fisheries and Wildlife payable (to the State) compared to the monthly report.
- * Dog License Fees payable (to the State).
- * Plumbing payable (to the State).
- * Vital records payable (to the State).

Records of reconciliations are maintained and retained with other detailed financial records.

Checking Account

Each month the Accounting Clerk reconciles the bank statements against the corresponding ledger account and against the manual checking record. The Town Manager reviews and signs the reconciliation document. The Accounting Clerk files said document with the bank account reconciliations from prior months.

Property Taxes

The Treasurer or Deputy Treasurer reconciles the Property Tax Receivable ledger accounts with the printouts of unpaid taxes generated by the computerized Tax Collections system. This reconciliation is performed at the beginning of each month for the prior month's transactions. The Town Manager reviews and approves the reconciliation documents. The Treasurer or Deputy Treasurer files each month's reconciliation documents in a separate file folder in the Unpaid Taxes section of the general files.

Collections for the State

The Town, acting as agent for the State, issues motor vehicle renewal registrations, hunting and fishing licenses, recreation vehicle (boat, ATV and snowmobile) registrations, plumbing permits, vital records and dog licenses, and collects sales taxes for certain transactions, all of which involve receipts that are paid periodically to the State of Maine. The Agent or Deputy reconciles the credit balances in these liability accounts monthly. The Town Manager, Treasurer or Deputy Treasurer reviews and signs each reconciliation document. Records of these reconciliations are retained in the files.

Tax Billing

Property tax information is entered into the Tax Billing System by the Assessors' Agent or

Assistant to the Assessors' Agent. This information includes names, addresses, valuations, map and lot numbers, exemptions, and related data. When all entries have been made for a fiscal year (as of the prior April 1), the tax commitment process is performed, sent to the Select Board for approval and completed through the TRIO commitment process. The computer automatically posts each taxpayer's new tax amount to the proper account for the applicable year in the Tax Collection System. A file is created containing each property owner's tax bill information by the Treasurer or Deputy Treasurer. The tax bills are outsourced to a vendor for printing and mailing.

When supplemental taxes are assessed and approved and/or abatements are approved by the Board of Assessors, they are entered into the Tax Billing System by the Assessors' Agent or Assistant to the Assessors' Agent.

Summary

The above establishes controls for financial activities of the Town.

After review and consideration, these Financial Controls are adopted by majority vote of the Select Board on the 2nd day of January 2024.

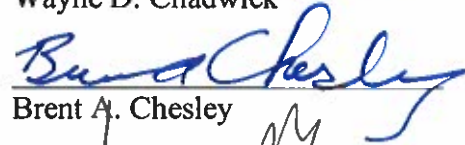
Select Board Members:



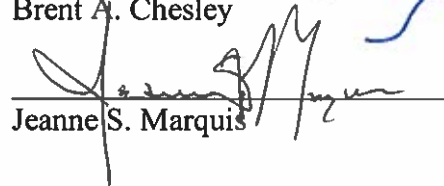
Blane C. Casey



Wayne D. Chadwick



Brent A. Chesley



Jeanne S. Marquis

Janet M. Preston