

# FINANCIAL POLICY HANDBOOK

**Saugatuck Township**  
3461 Blue Star Highway  
P.O. Box 100  
Saugatuck, MI 49453

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## Introduction

Saugatuck Township (also referred to as the “Township”) is dedicated to being an effective steward of public money. This Handbook consisting of numerous Policies, as updated by the Saugatuck Township Board on March 11, 2020, outlines the Township’s financial practices. As an organization, we strive to perform our duties in a responsible and cost-effective manner, while always respecting the sources of the Township’s funding. Residents expect and deserve policies that promote accountability, transparency, and ethical behavior when it comes to the management and use of public money.

Standardization of financial practices via these policies is one step taken to promote public confidence in the Township’s activities. Employees and elected officials are urged to read this Handbook and become acquainted with its contents. It is also available to residents so they can learn more about the how the Township strives to effectively manage public money.

### *Disclaimer*

Saugatuck Township prepared this Handbook to outline many of the policies associated with its financial practices. It does not and cannot provide for every situation that may arise; rather, it is designed to give an overall understanding of the Township’s financial policies. For this reason, employees and elected officials are expected to review all changes and updates and remain knowledgeable of all current financial policies, practices, and procedures. If there are any questions concerning this Handbook, please contact the Township Manager for further information.

This Handbook replaces any prior written and oral policies, practices, or procedures about the subjects contained herein. The Township reserves the right to revise, add to, or delete any policies or portion of this policy at any time as it deems appropriate, in its sole and absolute discretion, as approved by the Township Board, with or without prior notice.

### *Severability*

If one or more provisions of this Handbook are superseded by or become in conflict with a federal, state, or local law, or if a provision is determined by a court of competent jurisdiction to be unenforceable or void, the balance of this Handbook shall remain in effect.

## **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 outlined in this Handbook are intended to represent compliance with the *Accounting Procedures Manual* and Saugatuck Township's administrative structure and procedures. No policy manual can anticipate all possibilities that may be encountered when administering the finances of a township. The following policies establish a framework for adequate controls over the financial administration processes.

## **Purchasing Policy**

A primary purpose of this Handbook is to serve as a guide for all purchases made by Township employees and elected officials on behalf of the Township. It strives to ensure the efficient procurement of appropriate goods and services at responsible prices and that the Township is receiving the best value for the public money being expended. It is every employee's and elected official's fiduciary responsibility to follow these policies and associated procedures when serving our residents.

### *General Policy – Authorization to Purchase*

The Township shall attempt to purchase the highest quality goods and services at the lowest price. In this process, the Township shall serve as an equal opportunity purchaser, favoring local vendors only when all other factors are equal.

All purchases must be budgeted for, and properly documented, in accordance with this Policy. No employee or elected official shall make purchases or commit Township funds without authorization as described in this Policy. Employees and elected officials shall not consider appropriations contained in the budget as a mandate to expend funds, nor does the budget constitute authorization to commit the Township to purchases, as such authorization originates from the provisions in this Policy.

Contracts will be evaluated with the objective of getting the best quality goods and services at the lowest price. Therefore, when applicable, consideration can and should be given to: quality of goods/services; conformity with specifications; suitability to the requirements of the Township; delivery of goods; and past performance of the vendor. Bid price will not necessarily be the determining factor.

### *Purchasing Agent*

The Township Manager shall act as the Purchasing Agent for the Township and shall be authorized to purchase supplies, materials, equipment and services for the Township for which funds are provided in a budget approved by the Township Board. The Township Manager may also dispose of surplus supplies, materials, and equipment in accordance with this Policy. Under his or her discretion, the Township Manager, acting as the Purchasing Agent, may designate one or more Township employees to act on his/her behalf. The Purchasing Agent shall prepare and/or approve all forms and additional rules and procedures required to carry out this Policy.

### *Tax Exempt Status*

The Township Federal ID number, used for tax-exempt purchases, shall only be used for purchases paid for by a Township check or charge account (i.e. credit card) in accordance with all applicable Federal and State laws.

### *Petty Cash Fund*

The Township does not maintain a petty cash fund. However, the Township reserves the right to establish a petty cash fund in an amount determined as appropriate by the Township Manager, should it be deemed necessary in consultation with the Township Board.

### *Credit Cards*

The Township may use credit cards as authorized by Michigan Law pursuant to the *Credit Card Policy*.

### *Emergency Purchasing*

In an emergency or an apparent emergency that requires the immediate purchase of supplies, materials, equipment, or services, the Purchasing Agent is authorized to purchase any supplies, materials, equipment or services which he/she deems immediately necessary. In this situation, normal purchasing processes and procedures need not be followed. In the case of emergency purchases, a full report, detailing the circumstances of the emergency purchase and including recommended budget amendments if necessary, shall be filed with the Township Board within 30 days of the purchase(s).

An emergency is defined for the sake of this Policy as an unexpected situation that endangers the public peace, health, and/or safety of the Township or when normal operations of the Township would be severely hampered by a long delay.

### *Purchasing Guidelines*

Except as otherwise provided in this Policy, the expected cost of a purchase of supplies, materials, equipment, and/or services shall determine which procedures are required, as set forth below. Purchases may only be made pursuant to these guidelines if funds are included in a budget approved by the Township Board. If not so included, the Township Board shall approve a budget amendment before the purchase may be made. If the quotes or bids obtained for a purchase fall into a higher cost classification than expected, the procedures for the higher classification must be followed.

Cost of Purchase	Procedures
Less than \$2000	<ul style="list-style-type: none"> <li>• Effort should be made to obtain the best price via informal telephone, catalog, or internet quotations</li> <li>• No formal written quotations are required</li> <li>• Oral approval of the Purchasing Agent, i.e. Township Manager or his/her designee, is required</li> </ul>
\$2,000 to and including \$10,000	<ul style="list-style-type: none"> <li>• If practically possible, at least three written quotations are required</li> <li>• Written approval of the Purchasing Agent, i.e. Township Manager or his/her designee, is required</li> </ul>
Above \$10,000 but less than \$20,000	<ul style="list-style-type: none"> <li>• At least three written quotations are required</li> <li>• Written approval of the Purchasing Agent, i.e. Township Manager or his/her designee, is required</li> <li>• Requires approval of the Township Board regardless of whether or not included in the approved budget</li> </ul>
\$20,000 and above	<ul style="list-style-type: none"> <li>• Formal bid solicitation required; process developed by Purchasing Agent</li> <li>• Sealed bids required</li> <li>• Requires approval of the Township Board regardless of whether or not included in the approved budget</li> </ul>

### *Suggested Bid Procedure*

Unless otherwise deemed appropriate by the Purchasing Agent, this process should be used to solicit formal bids for purchases of \$20,000 and above. It is the practice of Saugatuck Township to provide vendors fair and equal opportunities to compete in the formal bidding process. Publication or communication of proper notice of the need for bids shall be arranged for in the manner which will bring the information to the attention of the greatest number of appropriate professionals, contractors, or vendors. All bids will be advertised at a minimum in the local newspaper or professional trade publication, no less than two weeks prior to bid opening.

Additionally, bid specifications may be published on the Township website, posted at the Township Hall, and sent to specific approved vendors. All bids must be received by the Township Clerk not later than the time indicated by the bid advertisement. All bids received by the Clerk's Office will be time/date stamped when received. All bids must be sealed when received. No unsealed bids will be accepted. Bids will be opened by the Township Clerk or personnel from the Clerk's Office at the place and time described in the bid advertisement and shall be open to the public. Once the bid opening process is complete, the Purchasing Agent or designated staff will prepare a recommendation for the Township Board. Once awarded by the Township Board, the Purchasing Agent will inform the winning bidder. The Township reserves the right to reject any and all bids.

### *Evaluation and Acceptance of Quotes and Bids*

Quotes and bids shall be evaluated with the objective of getting the best quality goods and services at the lowest price. The Township shall evaluate all quotes and bids objectively. When determining whether a bid is in the best interest of the Township, the price and other relevant factors, including, without limitation, reputation and reference, shall be considered, but the price bid shall not necessarily be the determining factor. The Purchasing Agent reserves the right to reject all bids if none are satisfactory and restart the processes, unless the Township Board expressly reserved the right to accept/reject the bid. Quotes and bids may be approved or awarded where applicable as a total package or on an item by item basis.

### *Exceptions of Quotes and Bids*

Informal quotes or formal competitive bids in accordance with this Policy shall not be required in the follow circumstances:

- where the subject of the purchase is from a sole source provider and no advantage to the Township would result from obtaining quotes or bids;
- in the employment of professional services;
- for purchases from, or joint purchases with, another governmental unit;
- to take advantage of favorable unit prices in an existing contract with the Township, the Township may amend the existing contract, for example to amend the scope of work without competitive bidding, provided that a substantial majority of the additional work shall be performed at the unit prices set forth in the existing contract;
- when the Township elects to perform work using Township employees; or
- where the purchase involves the use of State of Michigan or federal funds and State or federal rules, regulations and procedures with respect to purchases apply.

No quote or bid shall be accepted from a vendor who is in arrears to the Township, who is in default on a contract with or payment due to the Township, or has previously demonstrated bad faith in dealing with the Township.

For the purposes of this Policy, the term “Professional Services” shall be defined as follows:

Services performed by accountants, actuaries, appraisers, architects, attorneys, auditors, bond underwriters, engineers, financial advisors, human resources consultants, information technology consultants, physicians and other health professionals, public relations professionals, real estate brokers, urban planners, and other such services provided by a formally certified member of a professional body.

Note: Although the employment of professional services is exempted from the competitive quote and formal competitive bid requirements of this policy, the Township may still elect to collect quotes or bids for professional services if so desired.

### *Retention of Quote and Bid Documents*

A record of all quotation and bids documents related to the purchase of supplies, materials and equipment and/or services shall be retained by the Township until completion of the financial audit for the fiscal year of the purchase.

### *Disposal of Surplus Supplies, Materials, and Equipment*

The Purchasing Agent may dispose of supplies, materials and equipment of the Township which are surplus, unsuitable or unusable, or may exchange the same for other supplies, materials and equipment. If deemed to have resale value, such supplies, materials and equipment shall be sold in such manner as determined by the Purchasing Agent, or his/her designee, who shall within 30 days of disposal report any such disposal or sale to the Township Board.

Sale items may be advertised on the Saugatuck Township website. If the Purchasing Agent determines that the property/goods have no real value, they may be disposed of at public refuse facility or donated to a non-profit agency or organization.

### *Prohibitions*

#### a. Subdividing

No purchase or contract shall be subdivided to avoid the requirements of this Policy.

#### b. Conflict of Interest

No employee or elected official shall have a financial interest directly or indirectly in any purchase or contract unless the Township Board determines by majority vote that waiver of such requirement is in the best interests of the Township.

## Budget

### *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 Township Board shall budget available dollars to the most significant programs and activities to maximize the benefit of the available resources.

### *Timeline*

The proposed budget shall be developed by the Township Manager, with input from the Supervisor, according to the following schedule:

<i>Jan/Feb</i>	Township Board establishes fiscal year goals & priorities
<i>Feb/March</i>	Township Manager prepares proposed budget
<i>April</i>	Township Manager presents first draft of proposed budget/Township Board provides feedback
<i>May</i>	Township Manager presents updated proposed budget/Township Board adopts tentative budget
<i>May/June</i>	Township Board holds public hearing on tentative budget/Township Board adopts General Appropriations Act

### *Methods*

The Township Manager shall use a line item approach when developing the proposed budget. The budget shall be adopted by the Township Board at the revenue by source and expenditures by activity (i.e. department) level.

### *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 earning

### *Adoption*

Prior to the beginning of each fiscal year, the Township Board shall annually adopt a budget using a department level method of adoption unless otherwise directed in the General Appropriation Act. The Township Board shall monitor and amend the budget as needed to approve and control all expenditures.

### *Designation of Budget Officer*

The Township Manager shall be Saugatuck Township's budget officer and shall be responsible for the development and administration of the annual budget.

### *Transfer Authority*

The Township Manager shall have the authority to make transfers between line items within departments without prior Township Board approval, if the amount to be transferred does not exceed the total amount appropriated for that department.

### *Budget Monitoring*

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

- The Township Board shall establish measures of annual progress. These measures should spell out the expected results and outcomes and how they will be measured.
- The Township Board shall use periodic financial reporting and performance measures to compare actual versus budgeted results.
- The Township Board shall communicate performance results so that staff and the public will be informed of the results in an understandable format.
- The budget shall be reviewed quarterly for necessary amendments.

## Credit Card Policy

The Purchasing Agent 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 an official or employee of the Township for the purchase of goods or services for the official business of the Township in accordance with the *Purchasing Policy*.

The use of a credit card is limited to the following circumstances:

- Purchase of supplies, materials, or capital outlays up to \$500
- For travel, meals, and accommodations while on Township business (excluding expenses incurred in operating a privately-owned automobile)
- Other situations as deemed appropriate by the Purchasing Agent

Township officials and employees who use a Township credit card shall, as soon as possible, submit a copy of the vendor's credit card slip to Accounts Payable. If no credit card slip/receipt was obtained that described the transaction, the employee shall submit a signed voucher that shows 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. All credit card slips/receipts shall include this information as well. Vouchers shall also include a statement why a credit card slip/receipt was not obtained.

An official or employee who is issued a credit card is responsible for its protection and custody. If a credit card is lost or stolen, the Purchasing Agent shall be notified. The entity issuing the lost or stolen credit card shall be immediately notified to cancel the card.

An officer or employee issued a credit card shall return the credit card to the Purchasing Agent upon termination of his or her employment or service with the Township. The Purchasing Agent shall maintain a list of all credit cards owned by the Township, along with the name of the officer or employee who has been issued the credit card, the credit limit established, the date issued, and the date returned.

The Purchasing Agent or his/her designee 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 Township Board shall not approve a payment to the entity issuing the credit card until all transactions have been verified, including the approval of all transaction invoices if issued. The balance, including interest due on an extension of credit under the credit card arrangement, shall be paid for within not more than 60 days of the initial statement date.

Officials and employees who use a Township credit card in a manner contrary to this Policy shall be subject to disciplinary action, including possible termination of employment, reimbursement to the Township for unauthorized expenditures, legal action, or criminal liability.

## **Investment Policy** (as required by Public Act 20 of 1943, as amended)

### *Policy*

It is the policy of the Township of Saugatuck to invest its funds in a manner which will ensure the preservation of capital, to provide the highest investment return with maximum security, to meet the daily cash flow needs of the Township, and to comply with all state and local statutes governing the investment of public funds.

### *Scope*

This Policy applies to all financial assets of the Township of Saugatuck held by the Township Treasurer. These financial assets are accounted for in the Township of Saugatuck audited financial statements and include the general fund, special revenue funds, debt service funds, capital project funds (unless bond ordinances and resolutions are more restrictive), enterprise funds, trust and agency funds, and any new fund established by the Township.

**Pooling of Funds:** Except for cash in certain restricted and special funds, the Township of Saugatuck will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### *General Objectives*

The primary objectives, in priority order, of investment activities shall be:

**Safety –** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

**Credit Risk –** The Township of Saugatuck will minimize the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Township of Saugatuck will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Interest Rate Risk – The Township of Saugatuck will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

Concentration Risk – The Township of Saugatuck will minimize the risk associated with placing a large portion of the investment portfolio with a single issuer by limiting the exposure of each issuer to 20% of the total portfolio.

Custodial Credit Risk – The Township of Saugatuck will minimize custodial credit risk by holding the investments in the Township name.

Foreign Currency Risk – The Township of Saugatuck will only invest in US dollar denominated investments.

Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

Return on Investment - The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

### *Standards of Care*

Ethics and Conflicts of Interest – Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Township of Saugatuck.

Delegation of Authority – Authority to manage the investment program is derived from Michigan Compiled Law 41.76 and Township Board Resolution requiring the Township Treasurer to be the custodian of the Township public funds. Management responsibility for the operation of the investment program is hereby delegated to the Township Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, cash delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Township Treasurer. The Township Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Prudence – Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probably safety of their capital as well as the probably income to be derived.

### *Safekeeping & Custody*

All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Township Treasurer may be on a cash basis or a delivery vs. payment basis. Securities may be held by a third-party custodian at the discretion of the Township Treasurer and must be evidenced by safekeeping receipts.

### *Suitable and Authorized Investments*

Investment Types – The following investments will be permitted by this Policy and are those defined by state and local law where applicable:

- U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- Certificates of deposit, savings accounts, deposit accounts and other evidences of deposit at financial institutions;
- Bankers' acceptances of United States banks;
- Commercial paper, rated in the highest two tiers (e.g., A-1/A-2, P-1/P-2, F-1/F-2) by not less than two nationally recognized rating agencies at the time of purchase and that mature not more than 270 days after the date of purchase;
- Obligations of this state or any of its political subdivisions that are rated investment grade by not less than one standard rating service;
- Repurchase agreements whose underlying purchased securities consist of the foregoing;
- Money market mutual funds registered under the investment company act of 1940, 15 U.S.C. 80a-1 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township (this authorization is limited to securities whose intention is to maintain a net asset value of at least \$1.00 per share);
- Investment pools through an interlocal agreement under the Urban Cooperation Act, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512;
- Investment pools organized under the surplus funds investment pool act, 1982 PA367, MCL 129.111 to 129.118;
- Investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

### *Investment Parameters*

Diversification – The investments shall be diversified by:

- limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities, and
- continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Maximum Maturities – To the extent possible, the Township of Saugatuck shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Township of Saugatuck will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Township of Saugatuck shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the Township Board.

### *Reporting*

The Township Treasurer shall prepare for the Township Board:

- A quarterly *management summary* - provides an analysis of the status of the current investment portfolio (i.e. listing of balance by bank & fund) and transactions made during the last quarter.
- An annual *investment report* – provides the Township Board and any pool participants the following:

1. Listing of individual securities held at the end of the reporting period.
2. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
3. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
4. Listing of investments by maturity date.
5. Percentage of the total portfolio which each type of investment represents.

Performance Standards – The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

## General Fund Balance Policy

### *Fund Overview*

Governments, such as Michigan General Law Townships, organize their accounting systems on a "fund" basis. A fund is a separate set of accounting records, segregated for purpose of carrying on an activity and established for accountability purposes to demonstrate that financial resources are being used only for permitted purposes.

Saugatuck Township is a General Law Township that specifies the various funds required to be used by the Township to perform all statutory duties of a municipal government. It has a General Fund, and may have one or more other funds to account for specific activities. For example, special road maintenance and cemetery activities are accounted for in a Road Fund and a Cemetery Fund. Transactions relating to payments made to general obligation debt are accounted for in Township debt service funds for utility Bond obligations for sewer and water infrastructure.

### *Fund Terminology*

A fund will have "balance sheet" accounts consisting of "assets", "liabilities" and "fund balance," and a series of "revenue" and "expenditure" accounts. A "fund balance" is created or increased when fund revenues exceed fund expenditures for a fiscal period. Correspondingly, a fund's balance is decreased when fund expenditures exceed fund revenues. The balance sheet accounts identify the assets that belong to a fund--such as cash or a grant payment receivable--and what liabilities it owes, such an account payable to a supplier. The difference between the fund's assets and liabilities equals the "fund balance." A positive fund balance represents a financial resource available to finance expenditures of a following fiscal period. A deficit fund balance can only be recovered by having revenues exceed expenditures in a following fiscal period.

### *Understanding the Fund Balance*

Township administrators and Board Members need to understand what a fund balance is and its importance in budgeting decisions. A common misconception is that fund balance is a cash account, and therefore corresponds to the Township bank balance. As discussed above, fund balance represents the fund's total assets minus its liabilities (what a fund owns minus what it owes). Cash is an asset, but it usually is not a fund's only asset. The fund may also have liabilities,

such as an accounts payable amount due a supplier that could result in a decrease in fund cash when they are paid off.

### *Fund Balance Classifications*

A definition of the five different Fund balance classifications as outline in Governmental Accounting Standards Board (GASB) Statement 54 follows:

#### 1. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid amounts. It may also include the long-term amount of loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.

#### 2. Restricted Fund Balance

The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The ballot language of special millages should provide a clear description of revenues and whether or not they should be held in a restricted fund balance.

#### 3. Committed Fund Balance

The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the Township Board. Also, such constraints can only be removed or changed by the same form of formal action such as the adoption of a public Budget and Appropriations Act.

#### 4. Assigned Fund Balance

The assigned fund balance classification reflects amounts that are constrained by the Township Board's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint.

## 5. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for the Township General Fund only. It is also where negative residual amounts for all other governmental funds would be reported.

Because Nonspendable and Restricted fund balances are not available for spending due to external enforceable conditions, the Saugatuck Township Fund Balance Policy is focused on the appropriate level(s) or ranges of General Fund unrestricted fund balances; those other funds classified as Committed and Assigned are expressed in the Township fiscal budget that is a uniform budget subject to audit review, the Appropriations Act, and statutory provisions of the Open Meetings Act.

Financial flexibility, provided by adequate unrestricted fund balance, is always needed to cushion the impact of unanticipated emergencies and revenue shortfalls. These include losses of major taxpayers, infrastructure emergencies, and delays or decreases of State revenue sharing as a result of down economic markets or legislation. All have the potential to greatly impair the Township's ability to deliver essential public services; that, without a planned cushion, put taxpayers at unnecessary risk of a millage increase or request for a special millage, cuts in service and maintenance of critical infrastructure that may directly impact the health and safety of the public.

### *How Large A General Fund Balance?*

Determination of an appropriate fund balance is a critical factor in all local municipalities' financial planning and budgeting processes, but it is strictly a local matter. Saugatuck Township General Fund Policy makes no recommendation regarding the actual amount the Township should have as its General Fund balance, except that the Township is encouraged to seek legal counsel should they contemplate budgeting for and/or operating with a negative general fund balance.

A General Law Township with an optimal fund balance should at all times be able to effectively:

- Avoid excessive short term borrowing thereby avoiding associated fees or interest costs.
- Avoid any interruptions of essential services and planned budgeted activities as adopted by the Township Board.
- Accumulate sufficient assets to make planned purchases of capital while covering most unforeseen expenditure needs.
- It should demonstrate financial stability therefore preserving or enhancing its bond rating, thereby lowering debt issuance costs.

### *Fund Balance Size*

The most commonly asked question regarding fund balance is how large should it be? Perhaps the best answer would be "an amount sufficient that short term borrowing for cash flow would be avoided, and would also allow the Township to set aside sufficient assets to realize its longer-range goals."

However, this may not always be practical or politically possible due to numerous reasons such as unfunded State mandates put upon local units of government, "Headlee Act" restrictions that "rollback" property tax millage rates without acknowledgement of rising costs over inflation, poor bond markets and competing interests in the public sector vying for limited unassigned funds.

A Township Board's commitment to minimum and maximum ranges of its unassigned/unrestricted Township General Fund balance does not set an actual amount to be held in reserve, but allows controls-based sound financial recommendations and up-to-date audited figures to assist budgetary efforts and Board decisions. The final result is better preparedness of the Township for known expenses and unanticipated yet inevitable requests for Township funds.

### *Minimum & Maximum Unassigned General Fund Balance*

Minimum unassigned General Fund Balance shall be no less than 25% of total actual General Fund expenses as determined pursuant to final Township review of the independent auditor's report.

Maximum unassigned General Fund Balance shall be no more than 100% of total actual General Fund expenses as determined pursuant to final Township review of the independent auditor's report.

*Order of Activities to Maintain Minimum & Maximum Fund Balance Range*

When the unassigned General Fund Balance approaches its minimum threshold the following measures, in priority order, should be planned to recoup losses to the General Fund and accumulate fund balance to approved levels:

1. Take immediate budgetary action to permanently or temporarily suspend or defer all pay-as-you-go-capital improvements or fee services of any or all non-essential public services.
2. Decrease all General Fund Operating Departmental expenses. Decrease and defer all possible planned increases in all staff personnel expenses and subcontractor labor expense.
3. Increase fees, rates, charges and other Enterprise Fees specific to individual services to make them less reliant on General Funds and more self-sufficient whenever possible.
4. Propose tax millage increase(s).
5. Eliminate non-essential public services and/or liquidate public capital assets including Township owned properties. Review all contracted receivables including all Township leases.

When the fund balance approaches its maximum threshold the following measures, in priority order, should be planned to expedite capital asset replacement, grant acquisition/development and tax relief:

1. Fund the Employee Defined Benefit pension to up-to-date Municipal Employee Retirement System (MERS) recommended levels, if not already at full funding.
2. Pre-fund or accelerate capital improvements of Township Comprehensive Plan and Township Parks Plan guidelines as adopted by the Township Board. Assign funds to Board approved Fund 403 Capital Project Fund and/or Fund 408 Parks System Fund; or Enterprise Funds: or 465 Water Project Fund; and/or 490 Sewer Project Fund.
3. Move up debt schedule for existing bond payments to lower the Township's debt burden and possibly customer interest rates of special assessment districts for County Drains at large, Water Debt District(s) and/or Sewer Debt Districts.
4. Reduce fees, rates, charges and other Enterprise Fees specific to individual services.
5. Reduce dedicated millage rates or eliminate tax payer assessment districts.

## **Automated Clearing House (ACH) and Electronic Transactions of Funds Policy** (as required by Public Act 738 of 2002, as amended)

### *Electronic Payments*

The Saugatuck Township Board authorizes the Clerk or Deputy Clerk to initiate electronic payments, following Township Board approval, and the Treasurer or Deputy Treasurer to review and accomplish said payments. Such electronic payments and/or ACH agreements are authorized if in compliance with the remaining provisions of this policy.

### *Definitions*

- “Automated Clearing House” or “ACH” – 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.
- “ACH Arrangement” – the agreement between the originator of the ACH transaction and the receiver of the ACH transaction.
- “ACH Transaction” – an electronic payment, debit, or credit transfer processed through an automated clearing house.
- “ACH Policy” – the procedures and internal controls as determined under this policy developed in conjunction with the Treasurer and adopted by the Township Board.

### *Authority to Enter into and Responsibility for ACH Arrangements*

The Township Treasurer may enter into an ACH Arrangement. The Treasurer or employee designated by the Treasurer is responsible for the Township’s ACH agreements, including payment approval, accounting, reporting, and generally overseeing compliance with this policy

### *Automated Clearing House (ACH) and Electronic Transactions of Funds Policy.*

The Treasurer shall submit to the Township Board documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by each payment of public funds made by electronic transfer. This report may contain in

the Township's electronic general ledger software system or in a separate report to the Township Board.

#### *Internal Accounting Controls to Monitor Use of ACH Transactions*

The following system of internal accounting controls will be used to monitor the use of ACH transactions made by Saugatuck Township:

The Treasurer shall prepare a list of vendors authorized to be paid by ACH transaction and provide that list to the Clerk.

The Clerk or his/her designee initiates the transaction upon receipt of an invoice included on the authorized ACH list approved by the appropriate township official. The Clerk or his/her designee presents the check, a list of bills for payment, and a separate list of the electronic payments for Township Board approval. ACH invoices must be approved before payment by the Township Board, unless authorized by an adopted Post-Audit Policy.

Following Township Board approval, unless the transaction is covered in the *Post-Audit Authorization Policy*, the Treasurer or his/her designee can initiate the electronic transaction with the vendor and makes the actual transfer of funds.

The Treasurer's Office shall retain all ACH transaction documents for audit purposes. The Clerk's Office shall retain all invoices for audit purposes.

The Township may also use a separate bank account to accomplish ACH electronic transactions, effectively creating a "firewall" between the Township's funds and outsiders.

## **Accounts Payable**

The Township Clerk shall be responsible for processing all accounts payable. The Clerk may designate other township personnel (i.e. Deputy Clerk) to process accounts payable if the Township Board has agreed to incorporate that function in the job description of that position.

### *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 employee 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, should be used for documentation when possible.

All requests for payments shall be approved by the Purchasing Agent (i.e. Township Manager) by initialing the document (starting FY 2020-2021).

All requests for payment shall be submitted to the authorized employee before noon on the day of Township Board Meetings at which claims will be approved.

The authorized employee shall verify the payee, amount, purpose, and the distributing fund of each request. After verification, the authorized employee shall enter it into the general ledger and make a copy for the Township's records.

### *Claims Reports*

The Township Clerk and/or Deputy Clerk shall prepare a claims report for the Township Board showing the fund, vendor, name, nature of the expense, invoice number, and check number. Any items paid prior to Township Board audit shall be noted on the claims report or on a separate report.

Invoices and bills supporting the claims report shall be available for board member review upon request. The Township Board is responsible for scrutinizing the bills prior to approval.

#### *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 and claims authorized by the *Post-Audit Policy*.

#### *Check Controls*

Numerically controlled, pre-numbered checks shall be used. Checks shall not be signed prior to being completely filled out.

#### *Authorized Check Signers*

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

- Township Clerk and/or Deputy Clerk
- Township Treasurer and/or Deputy Treasurer

#### *Check Processing*

Each check and/or disbursement shall be signed by the Township Clerk or Deputy Clerk to document board authorization of that payment and forward to the Treasurer or Deputy Treasurer by the next business day following the board meeting at which they were approved. If payment is made in compliance with the *Post-Audit Policy*, the signed check and/or disbursement shall be forwarded to the Treasurer or Deputy Treasurer not later than the next business day after the check and/or disbursement is signed by the Clerk or Deputy Clerk.

The Treasurer or Deputy Treasurer shall verify that the funds are available, sign the check and/or disbursement and distribute it. Checks shall not be returned to the Clerk or the originating office for distribution.

#### *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.

### **Post-Audit Authorization Policy**

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

1. Payroll
2. Utility bills
3. Tax collection disbursements
4. Invoices with penalties that would be incurred if payment is not received prior to the board meeting where claims will be approved
5. Emergency expenditures as outlined in the *Purchasing Policy*
6. Monthly re-occurring bills as determined appropriate by the Township Board

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

## **Accounts Receivable**

The Township Clerk and/or Deputy Clerk shall be responsible for processing all accounts receivable.

### *Invoice Preparation*

The Township Clerk and/or Deputy Clerk shall be responsible for preparing invoices for revenues due to the Township. All invoices shall include a remittance advice or invoice to be returned to the Township with payment. The remittance advice or invoice shall include the name, amount invoiced, purpose and that payment is to be made to the Township and mailed to the Township Treasurer.

### *Posting & Distribution of Accounts Receivable*

The Township will keep a copy of all invoices or bills for money owed to the Township. The invoice copy will be used as verification when payment is received. The Clerk and/or Deputy Clerk will use the invoice copy to record the receivable in the general ledger. Invoices are to be reconciled to the general ledger control on a monthly basis.

It is important from an internal control standpoint to segregate the invoicing function from the cash receipts function.

### *Accounting for Accounts Receivable*

For all payments received, the Clerk and/or Deputy Clerk shall credit the receivable. A monthly listing of all amounts invoiced but not yet received shall be prepared and reconciled to the general ledger.

### *Payment Options*

The Township will accept payment by:

- Check
- Credit Card & Debit Card
- Cash
- Electronic Fund Transfer

## **Depositories**

### *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 Township Treasurer.

Bank signature cards shall be kept current and the authorized signers limited to the Township Clerk, Deputy Clerk, Township Treasurer, and Deputy Treasurer.

### *Authorized Depositories*

This policy is applicable to all public funds belonging to Saugatuck Township and in the custody of the Township Treasurer. The Treasurer is authorized to deposit funds in approved financial institutions and administer investments in conformance with state and federal law and the Township's *Investment Policy*.

The Township Board authorizes the following financial institutions as depositories of Township funds:

- Chemical Financial Corporation (i.e. Chemical Bank)
- TCF Financial Corporation (i.e. TCF 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, of FDIC or NCUA insurance
- Proof of state registration
- Certification of having read, understood, and agreement to comply with the Township's *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.

#### *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

## **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 from the Purchasing Agent (i.e. Township Manager) prior to incurring the cost.

### *Expense Documentation and Request*

Expenses requested for reimbursement shall be substantiated with actual detailed receipts or other documentation such as a mileage log. All requests for expense reimbursement shall be made on the proper expense reimbursement form, if applicable.

### *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 the 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.

### *Mileage 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 official or the 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.

## **Donation Policy**

### *Purpose*

The purpose of this policy is to establish general guidelines, standards, and procedures for the acceptance, installation, and maintenance of donations to Saugatuck Township for the Saugatuck Township Park Commission. This policy is not intended to serve as a specific description of where donated elements will be placed and/or what types of donated elements will be accepted. Instead, Saugatuck Township desires to encourage donations while at the same time promote fiscal responsibility, consistency, and maintain the aesthetic of the park system.

The guidelines, standards, and procedures established by this policy will apply to all donations made after the adoption of this policy. Donations made prior to the adoption of this policy shall be subject to applicable sections of this policy.

### *Appearance and Aesthetics*

Saugatuck Township has an interest in ensuring the best appearance and aesthetic quality of public property, facilities, and spaces. Park elements and/or their associated donor acknowledgments should reflect the character of the park, facility, or space in which they are intended to be installed. All park elements shall be installed in such a manner that will not substantially change the character of the park, facility, or space or its intended use.

### *Cost*

Saugatuck Township has an interest in ensuring that the donor covers the full costs of the purchase, installation, and maintenance of all donated elements. Consequently, the Township may assess, at the time of the donation, a charge sufficient to cover anticipated ongoing maintenance of donated elements during their life expectancy. Also, the Township may, on a case- by-case basis, establish an administrative fee to the donor that generally will not exceed 15% of the total value of the donation to coordinate the project.

### *Installation*

The installation of donated park elements, including the donor acknowledgement/memorial plaques, will be completed by contractors approved by the Township, as applicable. Additionally, the installation will be scheduled at a time and date as determined by the Township as not to unnecessarily interfere with routine park maintenance and/or administrative activities.

#### *Maintenance and Repair*

Donated park elements and their associated donor acknowledgement/memorial plaque become the property of Saugatuck Township. The Township and the donor will work together to ensure that adequate maintenance and repairs are completed in an effort to keep the donated element in a state of good repair. However, when a donated element becomes unsafe, experiences excessive damage or loss, if repair parts are no longer available, or if any other reason as determined by the Township, the Township reserves the right to remove the donation, modify the donation, or replace the donation as appropriate.

If contact information is on file, the donor will be informed and given the opportunity to take further action at the expiration of the original life cycle. The donor may replace the item and/or plaque at their own expense.

#### *Longevity*

Without exception, Saugatuck Township reserves the right to restore, relocate, remove, or relinquish donations that are no longer suited for their original purpose. Donations do not confer special privileges or rights; they are graciously and unconditionally accepted without obligation. As necessary, Saugatuck Township will make reasonable efforts to determine the origin of the donation and will reasonably attempt to contact donors prior to restoring, relocating, or removing donated elements.

#### *Removal and/or Relocation*

The Park Commission will coordinate the location and/or placement of the donation with the perspective donor. Saugatuck Township reserves the right to remove and/or relocate donated park elements and their associated donation acknowledgments/memorial plaques, when they interfere with site safety, maintenance or construction activities, or for other reasons deemed adequate by Saugatuck Township.

The Township will send a letter to each identifiable donor notifying the donor of any action related to the disposition of the donation. In certain situations, such as safety or emergency situations, the notification may be made after the action taken. In the event a donation must be permanently removed, the Park Commission will seek an alternative location consistent with this policy.

#### *Application*

Perspective donors should contact the Township Manager and/or Park Commission Chairperson to determine whether a donation may be accepted based upon the criteria contained in this policy. If a donation can be accepted, the donor will complete an application form and/or submit a letter outlining the intentions of donation and acceptance of the conditions outlined in this policy. All donation requests will be reviewed by Township Staff prior to submittal to the Park Commission for consideration.

#### *Criteria for Acceptance*

Saugatuck Township reserves the right to refuse and/or decline a donation for any reason, as long as that reason is in compliance with federal, state, and local law.

#### *Donation Acknowledgements/Memorial Plaques*

Donation acknowledgments and memorial plaques are to be directly affixed to the donation and/or a concrete pad below or adjacent to the donated amenity, as requested and funded by the donor. The Parks Commission shall approve all text for donation acknowledgements/memorial plaques. Saugatuck Township will have the authority to approve all locations for memorial plaques.

#### *Notification*

This criterion is a requirement for all donations made after the effective date of this policy. It shall be the responsibility of the donor to provide the Park Commission with a current address for purposes of notification regarding their donation. For the purposes of notification, the Park Commission will send a letter to the donor, notifying the donor of changes related to the status of their donation (i.e. a need to remove, relocate, or comply with conditions set forth in this policy). Notifications, as applicable, will be coordinated by the Park Commission.

#### *General Park Amenities*

Park benches, bicycle racks, picnic tables, grills, trail marker signs, and informational kiosks, may be sited in locations approved by the Township Park Commission. Items donated must be of a product approved by the Park Commission, and these items become Township property at time of purchase. The Township may dictate the specifications of any donated amenity to ensure consistency among the park, facility, or space in which it is intended to be installed

#### *Trees/Plants*

The Township must approve the tree/plant species, height, and planting location. Due to concerns over maintenance and vandalism, plaques will not be included as part of the tree/plant donation program unless the Township decides in its discretion to make an exception.

### *Interpretive Signs*

Interpretive signs may be installed at sites that are appropriate for describing the history, geology, environment, flora or fauna of a particular area, or other information approved by the Township. Interpretive signs shall be of a size that is keeping with the character of the site. Interpretive signs shall be designed in such a manner that is consistent with other interpretive signs on the site and within the park system. Interpretive signs shall be constructed of materials that are of high quality, vandal resistant, and able to withstand harsh environmental conditions.

### *Cash*

Unspecified cash donations may be used to build, repair, or upgrade existing or new facilities at the Park Commission's discretion. Occasionally a donor may identify a specific park for a donation, yet the park has no need for additional amenities. In this case, the donor may choose to contribute funds towards maintaining an existing park amenity. Cash donations can be submitted at the Township Office during regular business hours or at the "donation dog" drop box at the Dog Park. The "donation dog" drop box will be collected regularly by a member of the Park Commission. Saugatuck Township and/or the Park Commission are not liable for lost or stolen money submitted via the "donation dog" drop box.

### *Buildings, Structures, and Public Art*

Donated buildings, real estate, structures (including playgrounds and non-motorized trails), public art and other larger items are subject to the review and approval of the Township Board and are not considered as part of this policy.

### *Other Donations*

There may be donation opportunities available outside the scope of the Park Commission. In these situations, Township Staff will bring donation proposals to the Township Board for review and consideration, as appropriate.