

## **Series 3000: Operations, Finance, and Property**

### **3200 Finance and Borrowing**

#### **3201 Accounting**

##### **A. Financial Accounting**

1. The District will maintain complete financial accounting records using the charts of accounts approved and published by MDE. The District will implement an accounting system as prescribed by MDE and the Michigan Public School Accounting Manual (Bulletin 1022).
2. The District's fiscal and accounting year will begin each year on July 1.
3. The District will have a certified public accountant audit its financial records at least annually.

##### **B. Pupil Accounting**

The District will implement a pupil accounting system in compliance with the State School Aid Act and as prescribed by MDE's Pupil Accounting Manual.

Legal Authority: MCL 380.622, 380.1133, 380.1281, 380.1284; MCL 388.1606, 388.1613, 388.1618, 388.1701; Mich Admin Code R 340.1 et seq., 340.851 et seq.

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## **Series 3000: Operations, Finance, and Property**

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#### ***3201A Intentionally Left Blank***

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## **Series 3000: Operations, Finance, and Property**

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#### ***3202 Budgets and Truth in Budgeting/Taxation Hearings***

The Board must annually adopt a budget for each fund of the District to support District programs and services for the ensuing fiscal year. The Superintendent will be responsible for developing the budgets subject to the Board's direction and decisions. The budget documents will be updated based upon the requirements of the adopted educational programs.

##### **A. Budget**

1. The Superintendent will prepare each proposed budget in accordance with Board policies and goals and state law. Each budget will be based on up-to-date revenue estimates and will reflect the assessed needs and programs approved by the Board.
2. The Board must adopt each budget by June 30 of each year.
3. As circumstances change through the course of the fiscal year, the Superintendent will bring recommended budget amendments to the Board for review and adoption.
4. Within 15 days after the Board adopts a budget or any amendment to a budget, the Superintendent or designee will make the budget or amended budget available through a link on the District's website homepage.
5. The Board's goal is to maintain an annual unassigned general fund balance of at least 5% of estimated expenditures.

##### **B. Truth In Budgeting Hearing**

1. The Board must hold a public hearing on the proposed budgets before adopting the budgets. The Superintendent or designee must give notice of the public hearing by publication in a newspaper of general circulation within the District at least 6 days before the hearing. The notice must:
  - include the time and place of the hearing;
  - state that the proposed budget(s) is available for public inspection at the District's administrative offices; and
  - include the following statement printed in 11-point boldfaced type:

**The property tax millage rate proposed to be levied to support the proposed budgets will be a subject of this hearing.**

2. The Board must consider and adopt the budgets within 10 days after the public hearing in accordance with state law.

C. Truth in Taxation Hearing

If additional District operating millage, including special education and vocational education millage, is approved by the electorate after the District holds the public hearing on the proposed budgets and the District intends to levy such additional millage for the first time before the next fiscal year's public hearing on the proposed budgets, the Board must hold a separate public hearing on the proposed levy of such additional millage. The Superintendent or designee must give notice of the public hearing by publication in a newspaper of general circulation within the District at least 6 days before the hearing, which notice must state the time and place of the hearing and the proposed additional millage. The Board must approve the levy of the additional millage within 10 days after the public hearing in accordance with state law.

Legal authority: MCL 141.411 et seq., 141.421 et seq.; MCL 211.24e

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## **Series 3000: Operations, Finance, and Property**

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#### **3203 *Deposits***

The Board, or a District official designated by Board action, will deposit District funds in a financial institution or in a joint investment authorized by Revised School Code Section 1223. The deposit will be made in the name of the Treasurer as an officer of the District. The Board will designate the financial institution(s) in which District funds will be deposited. The Treasurer or designee will deposit District funds in 1 or more depositories in the proportion and manner determined by the Board. District funds will not be deposited or invested in a financial institution that is not eligible to be a depository of surplus funds belonging to the state under MCL 21.146.

“Deposit” includes purchases of, or investment in, shares of a credit union.

“Financial institution” means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the U.S. government and which maintains a principal office or branch office located in Michigan under the laws of the United States.

Legal authority: MCL 21.146; MCL 211.43b; MCL 380.1221, 380.1222, 380.1223

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## **Series 3000: Operations, Finance, and Property**

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#### **3204 *Investment of Funds***

If authorized by Board resolution, the Treasurer or the Treasurer's designee (individually or collectively, the "Investment Officer"), will invest District funds, including the District's debt retirement funds, building and site funds, building and site sinking funds, and general funds. Such investments must be made only in investments itemized and described in Revised School Code Section 1223.

##### **A. Authority of Investment Officer**

The Investment Officer may take security in the form of collateral, surety bond, or another form for District deposits or investments in a financial institution; however, a U.S. government or federal agency obligation repurchase agreement must be secured by transfer of title and custody of the obligations to which the repurchase agreement relates and an undivided interest in those obligations must be pledged to the District for that agreement.

##### **B. Combining Funds for Investment**

1. The Investment Officer may combine the District's debt retirement funds for investment purposes into a single common fund to the extent the bonds associated with such debt retirement funds are of a similar character (e.g., voted bond debt retirement funds may be aggregated for investment but voted and non-voted bond debt retirement funds may not).
2. For all other funds, the Investment Officer is authorized to combine money from more than 1 fund for investment purposes.
3. Investment earnings shall accrue to the fund for which the investment was made. In the event of combined funds for investment purposes, the earnings shall be accounted for separately and the investment earnings shall be separately and individually computed, recorded, and credited to the fund for which the investment was made.

The Investment Officer is authorized to manage and invest deferred compensation program funds as provided in Revised School Code Section 1223.

Legal authority: MCL 21.146; MCL 141.2705; MCL 380.1223

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#### **3205 Disbursements**

- A. A person authorized by the Board to draw upon District depository funds may sign and validate a warrant, check, and other instruments to draw upon such funds.
- B. Petty Cash
  - 1. The Board may authorize a separate petty cash fund for any District building for the purchase of materials, supplies, services, or other school related goods and services in circumstances requiring immediate payment. The amount of each petty cash fund will not exceed \$[1,000.00].
  - 2. Petty Cash Fund Custodians: The following persons will be the custodians of each petty cash fund and will administer and be responsible for the funds:
    - a. [Elementary School: Paddock Elementary Financial Administrative Assistant]
    - b. [Elementary School: Symons Elementary Financial Administrative Assistant]
    - c. [Middle School: Milan Middle School Financial Administrative Assistant]
    - d. [High School: Milan High School Administrative Assistant]

Petty cash fund disbursements may only be made if authorized by the Superintendent or appropriate petty cash fund custodian.

- 3. Documentation: All petty cash fund disbursements will be supported by an itemized receipt or other sufficient evidence that documents the expenditure. The itemized receipt or supporting documentation will include the name and contact information of the business receiving the payment, the date, a description reasonably sufficient to identify each item purchased, the purpose of the purchase, and the price. Petty cash fund custodians will maintain the documentation as required by law. Expenses must be assigned to the proper budget account.
- 4. Purchase Review Procedures: The Superintendent or designee will review petty cash fund expenditures with the Treasurer at least monthly. Any unlawful or unauthorized expenditure or other significant discrepancy will be brought to the attention of the Board and the offending person.
- 5. Reconciliation and Closeout: Each petty cash fund will be reconciled by the Treasurer, or another District official designated by the Board, and closed out at the end of the fiscal year.

- C. District funds or other “public funds” (as defined in Revised School Code Section 1814) under the control of the District may not be used to purchase the following:
- alcoholic beverages;
  - jewelry;
  - gifts;
  - fees for golf; or
  - any item the purchase or possession of which is illegal.
- D. Public funds may be used to purchase the following to recognize an employee, volunteer, or student, if the value of the purchase does not exceed the annually adjusted amount established for that purpose by MDE:
- plaque;
  - medal;
  - trophy; and
  - other awards.
- E. The Superintendent or Board designee will keep records of receipts and disbursements and identify the sources from which they have been paid as required by law.
- F. A person who misuses District funds or violates this Policy may be subject to discipline, including reimbursing the District for any unauthorized purchase.

Legal Authority: MCL 380.1814

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## **Series 3000: Operations, Finance, and Property**

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#### **3206 *Property Tax Levies***

##### **A. General**

1. The Board will identify, before the end of each fiscal year as part of the budget approval process, taxes that have been previously authorized by District electors. Of those taxes, the Board will determine which will be levied in the subsequent fiscal year and the applicable levy rate.
2. The Superintendent or designee will identify all taxes to be levied and the applicable levy rate in the documents filed with the relevant county(ies) necessary to collect those taxes within the District's geographic boundaries.

##### **B. New Millage**

1. If District electors authorize new millage and the Board determines to levy the new millage in the current fiscal year, the Superintendent or designee must file amendments to the previously filed tax allocation documents with the relevant county(ies) necessary to collect those new taxes.
2. If required by law, the District must hold a truth in taxation hearing in compliance with Policy 3202 before levying any new millage.

##### **C. Summer Tax Levy**

If the Board has previously determined to levy half or all of the District's property taxes on July 1 of each year, then the Board must adopt a continuing resolution on or before December 31 of each calendar year to continue to levy summer property taxes in the subsequent calendar year in the same proportion previously determined by the Board.

Legal authority: MCL 380.1611-1613

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## **Series 3000: Operations, Finance, and Property**

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#### **3207 School Activities Fund**

##### **A. Fiduciary Funds**

A fiduciary fund is a fund held by the District, in its discretion, in a trustee or agency capacity, for a purpose within the scope of the District's legal authority. A fiduciary fund cannot be used by the District to support its operations. All District fiduciary funds must comply with generally accepted accounting principles and be held in accordance with the standards adopted by MDE in the Michigan Public School Accounting Manual (Bulletin 1022). A fiduciary fund may be a Custodial Fund or a Private-Purpose Trust Fund. For purposes of this Policy, capitalized terms not defined in this Policy are defined in Bulletin 1022.

##### **1. Activity Funds**

The District may not use an activity fund as defined by GASB Statement No. 84 and adopted by Bulletin 1022.

##### **2. Custodial Funds**

A Custodial Fund may be used only to hold assets and issue payments for a non-District Custodial Fund beneficiary. A Custodial Fund may be maintained if the account:

- a. does not contain the District's sole source revenue, such as state and federal aid, tax collections, and non-exchange transactions;
- b. does not designate the District as a beneficiary; and
- c. is not subject to District control, including administrative or financial control.

##### **3. Private-Purpose Trust Funds**

A Private-Purpose Trust Fund (Private Trust) may be maintained as a fiduciary fund if:

- a. a written, lawful trust agreement exists and is submitted to the District;
- b. the trust assets are for a private purpose;
- c. the District is not a beneficiary, directly or indirectly; and
- d. the District does not have control, including administrative or financial control, or the ability to make decisions about trust assets.

Trust funds failing to meet the above requirements must be treated as a public purpose trust fund, subject to Policy 3201.

## B. Scholarship Funds

### 1. Private Trust Scholarships

An individual, estate, support group, club, company, or other donor that desires to establish a trust fund to benefit persons through scholarships must meet the criteria for a Private Trust described above.

### 2. Compact Scholarships

Public funds may not be used to administer scholarships, except that the District may establish and administer a scholarship fund for its students or graduates to attend a postsecondary educational institution if the fund arises from a compact between the State of Michigan and a federally-recognized Indian tribe under the Indian Gaming Regulatory Act.

Legal authority: MCL 380.11a(3), 380.11a(14); MDE *Michigan Public School Accounting Manual (Bulletin 1022)*; GASB Statement No. 84, *Fiduciary Activities*

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#### **3208 *Intentionally Left Blank***

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## **Series 3000: Operations, Finance, and Property**

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#### **3209 Debit/Credit Cards**

The Board approves the use of a debit/credit card (credit card) program for the purchase of goods and services on behalf of the District. The Board will determine the type of credit card(s) used in the program and will contract with a third-party provider as provided by law. The Superintendent or designee is responsible for issuing credit cards to authorized users, accounting for and monitoring credit card usage, retrieving credit cards when appropriate, and generally overseeing compliance with this Policy. The total combined authorized credit limit of all credit cards may not exceed 5% of the District's budgeted expenditures for the applicable fiscal year.

##### **A. Authorized Users**

The Board may assign a credit card to an employee or Board officer. An authorized credit card user is responsible for the protection and custody of the credit card and must immediately notify the Superintendent or designee if the credit card is lost or stolen. A person issued a credit card must return the credit card upon placement on administrative leave, disciplinary suspension, or termination of employment or service with the District.

##### **B. Authorized Purchases**

An authorized user may use a credit card to charge actual, necessary, and reasonable travel expenses in connection with official District business. Otherwise, the credit card may only be used to purchase goods and services approved by the Board or the Superintendent or designee.

##### **C. Documentation**

An authorized user must submit to the Superintendent or designee an itemized receipt. The itemized receipt must include the name of the business, the date of purchase, a description of each item and its purpose, and the price. A non-itemized receipt alone is not sufficient.

##### **D. Suspension or Termination of Privileges**

The Superintendent or designee may suspend or terminate the credit card privileges of any person who violates this Policy or for any other lawful reason. The person must promptly return the credit card to the Superintendent or designee. A person who misuses a credit card or violates this Policy may be subject to discipline, including discharge and reimbursing the District for any unauthorized purchase.

##### **E. Reward Points or Rebates**

Any reward points, rebates, or other benefits received from a third-party credit card company are the District's property.

F. Purchase Review Procedures

The Superintendent or designee will conduct an independent review of credit card expenses, or a sample of these expenses, on a monthly basis. Any unlawful or unauthorized expenditure or other discrepancy will be brought to the credit card user's attention. Upon request, the Superintendent or designee must provide the Board with the documentation submitted pursuant to this Policy or a summary of that documentation with a description sufficient to give the Board reasonable notice of the items purchased. The outstanding balance, including interest, will be paid by the District within 60 days after the initial statement date.

Legal authority: MCL 129.241 et seq.; MCL 380.1254; MCL 750.491

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## **Series 3000: Operations, Finance, and Property**

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#### **3210 *Borrowing***

A borrowing is the taking of money with an agreement to repay it with or without interest. The Board must initiate and authorize all borrowing, except credit card borrowing under Policy 3209, by resolution. All borrowed amounts will conform to legal debt limits and be for the purposes prescribed by state law. The Superintendent or designee must consult with the District's finance counsel for all District borrowings covered by this Policy.

Legal authority: MCL 123.721 et seq.; MCL 380.1225, 380.1351, 380.1351a; MCL 141.2101 et seq.

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## **Series 3000: Operations, Finance, and Property**

### **3200 Finance and Borrowing**

#### **3211 *Post-Issuance Tax Compliance***

##### **A. Policy**

Federal tax law requires that issuers of outstanding tax-exempt or tax credit debt obligations (“Obligations”) comply with certain post-issuance requirements in the Internal Revenue Code (IRC) and Treasury Regulations. Obligations include, but are not limited to, tax-exempt bonds, refunding bonds, tax credit bonds, installment and lease purchase agreements, lines of credit, state aid notes, and tax anticipation notes.

##### **B. Policy Implementation**

To preserve the tax-exempt or tax credit status of the Obligations and to comply with federal tax law after Obligations have been issued, the Board authorizes the Superintendent or designee to establish administrative guidelines in connection with Obligations to comply with federal tax law.

##### **C. Designation of Debt Compliance Officer**

The District’s chief business official will be the debt compliance officer responsible for implementing this Policy (“Debt Compliance Officer”). In the absence of a chief business official, the Superintendent or designee will serve as the Debt Compliance Officer until a replacement Debt Compliance Officer is assigned. The Superintendent will ensure that a person serves in this position at all times. If the District contracts with a third party for business services, including another school district, the Superintendent or designee remains responsible for the oversight of the third-party Debt Compliance Officer.

##### **D. Responsibilities of Debt Compliance Officer**

The Debt Compliance Officer will be responsible for administration and oversight of post-issuance tax compliance requirements and other provisions of this Policy related to the District’s Obligations, including implementation and compliance with remedial action procedures outlined below. The Debt Compliance Officer’s responsibilities will include:

1. Overseeing and managing compliance with federal rules and regulations applicable to post-issuance tax compliance for all outstanding Obligations from the date of issuance through the date of maturity of such Obligations, including any refunding Obligations related to the original issuance of debt;
2. Consulting with bond counsel, financial advisors, and other professionals about non-compliance, if any, and required remedial actions as necessary;



3. Maintaining written records of expenditures and investments of Obligations in accordance with subsection G;
4. Supervising and ensuring timely filings of reports and forms required by state and federal agencies related to Obligations;
5. Providing written documentation and other requested disclosures, including to the District's bond counsel, financial advisors, and other professionals, upon request;
6. Monitoring arbitrage, yield restriction, and rebate requirements under IRC Section 148. This duty includes monitoring compliance with 6-month, 18-month, or 2-year spending exceptions, as applicable; and
7. Monitoring all record retention requirements and oversee compliance with record retention requirements set forth in this Policy.

#### E. Internal Written Procedures and Protocols

1. The Debt Compliance Officer will develop written internal controls and procedures related to post-issuance tax compliance that address at least the following:
  - a. Identifying and reporting non-compliance, including protocols for contacting bond counsel and financial advisors;
  - b. Monitoring compliance with arbitrage, yield restriction, and rebate requirements under IRC Section 148; and
  - c. Monitoring and tracking the use of bond-financed or refinanced assets, including identifying non-compliance and taking appropriate remedial action in accordance with Treasury Regulation 1.141-12.
2. Internal procedures and controls will provide for detailed written guidelines to be used for the purpose of identifying potential non-compliance. If non-compliance is confirmed, the Debt Compliance Officer will take immediate action to report and resolve non-compliance in accordance with the District's internal procedures and federal law and regulations.

#### F. Periodic Compliance Review

1. Annual Review. The Debt Compliance Officer will conduct an annual review of District records related to outstanding Obligations to ensure that such records, including tax documentation, are adequately maintained.
2. Periodic Review. The Debt Compliance Officer will review and update District records, including tax documentation, related to an Obligation upon the occurrence of any of the following events:
  - a. The retirement, defeasance, or refunding of an Obligation; and

- b. Upon the sale, re-purposing, change in use, or refinancing of property purchased with outstanding Obligations that remain outstanding.

#### G. Record Retention

The District will maintain detailed written records of all expenditures and investments of Obligations for the life of the Obligation, which will be maintained until final maturity. With respect to bond issues, the District will maintain records of all expenditures and investments for the life of the bonds, including any subsequent refunding bonds, plus 3 years.

#### H. Training and Education

The District will provide, at its cost, training for the Debt Compliance Officer. The Debt Compliance Officer will complete training at least annually. Annual training may be provided to additional personnel who assist the Debt Compliance Officer.

Legal Authority: IRC 148; Treasury Regulation 1.141-12

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## **Series 3000: Operations, Finance, and Property**

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#### **3212 *Post-Issuance Disclosure Compliance***

In connection with the District's issuance of securities that are subject to the requirements of Securities and Exchange Commission Rule 15c2-12 ("Bonds"), the District may be subject to a continuing disclosure undertaking or agreement ("CDA") to disclose certain information after issuance of Bonds. A CDA may be found in the Bond transcript of proceedings.

The chief business official ("Compliance Officer") will be responsible for establishing and coordinating compliance with this Policy.

If the Board determines that compliance with this Policy in a particular situation would impose an unreasonable burden on the District, it may forego compliance with the advice of bond counsel.

#### **A. The Compliance Officer**

##### **1. The Compliance Officer will:**

- a. monitor and verify compliance with the CDAs; and
- b. create and maintain an inventory of the District's outstanding financial obligations.
  - i. A financial obligation means:
    - a debt obligation or a guarantee of a debt obligation; or
    - a derivative instrument entered into in connection with, or pledged as security or a source of payment for, existing or future debt obligations or a guarantee of such derivative instrument.
  - ii. Solely for the purposes of subsection C.2.b of this Policy, "financial obligation" does not include any municipal security for which a final official statement has been provided to the Municipal Securities Rulemaking Board pursuant to Rule 15c2-12.

2. The District, at its cost, will provide the Compliance Officer with training and educational resources necessary to ensure compliance with the CDAs.
3. The Compliance Officer has authority to seek guidance from the District's bond counsel and financial advisors to comply with the CDAs.

#### **B. Review of Offering Materials**

When the District issues Bonds, the Compliance Officer will review the preliminary official statement, final official statement, and other applicable offering materials to ensure they do not:

1. contain any untrue statement of a material fact; or
2. omit any material fact that needs to be included to ensure the statements are not misleading.

#### C. Post-Issuance Obligations

1. The Compliance Officer will review continuing disclosure requirements before each annual disclosure deadline.
2. The Compliance Officer's annual review will include ensuring the following information, where applicable, is reported to the proper repository (as of the date of adoption of this Policy, the repository is the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board at <http://www.emma.msrb.org>):
  - a. By December 27 of each year (or as otherwise required in an applicable CDA):
    - i. audited financial statements for the most recently ended fiscal year in compliance with state laws, administrative rules, and generally accepted accounting principles applicable to the District as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board; and
    - ii. additional annual financial information and operating data set forth in the respective CDA or in the respective official statement for a particular Bond issue under the heading "CONTINUING DISCLOSURE" or similar heading.
  - b. Notice of certain reportable events, subject in some cases to a determination of materiality by the District, within 10 business days after the occurrence. See each CDA for the respective list of events, which typically includes the following:
    - non-payment related defaults, if material;
    - modifications to rights of bondholders, if material;
    - bond calls, if material;
    - release, substitution, or sale of property securing repayment of the Bonds, if material;

- the consummation of a merger, consolidation, or acquisition, or certain asset sales involving the District, or entry into or termination of a definitive agreement relating to the foregoing, if material;
  - appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - incurrence of a financial obligation by the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material;
  - principal and interest payment delinquencies;
  - unscheduled draws on debt service reserves reflecting financial difficulties;
  - unscheduled draws on credit enhancements reflecting financial difficulties;
  - substitution of credit or liquidity providers, or their failure to perform;
  - defeasances;
  - credit rating changes, including the District's underlying rating or an enhanced rating on the Bonds due to credit enhancement;
  - adverse tax opinions or events affecting the status of the Bonds, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events, notices, or determinations as to the tax status of the Bonds;
  - tender offers;
  - bankruptcy, insolvency, receivership, or similar event of the District; and
  - default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.
- c. If the District retains a third party to assist the District with fulfilling its continuing disclosure responsibilities under any CDA, the Compliance Officer will annually review the contract and verify that the third party has fulfilled all of the District's continuing disclosure responsibilities.

Legal authority: 17 CFR 240.15c2-12; MCL 380.1351a

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## **Series 3000: Operations, Finance, and Property**

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#### ***3213 Electronic Transactions of Funds and Automated Clearing House Arrangements***

The District may engage in electronic transactions of funds and automated clearing house arrangements in accordance with this Policy.

##### **A. Definitions**

1. "Automated clearing house" or "ACH" means a national and governmental organization with authority to process electronic payments, including the National Automated Clearing House Association and the Federal Reserve System.
2. "ACH arrangement" means an agreement between the originator and the receiver of an ACH transaction.
3. "ACH transaction" means an electronic payment, debit, or credit transfer processed through an ACH pursuant to an authorized ACH arrangement.
4. "Electronic transactions officer" or "ETO" means the Superintendent or another person designated by the Board to have the rights and responsibilities of the ETO set forth in this Policy.

##### **B. ACH Arrangements and Transactions**

Only the ETO may enter into an ACH arrangement. The Finance Director or another employee designated by the ETO (ACH Supervisor) will be responsible for the District's ACH transactions, including payment approval, accounting, reporting, and overseeing compliance with this Policy.

##### **C. Internal Auditing Controls**

1. The ACH Supervisor will review and approve in writing all incoming and outgoing payments. Written approvals will be retained in accordance with usual District procedures.
2. For outgoing payments, the ACH Supervisor will document:
  - a. the goods or services purchased;
  - b. the cost of the goods or services purchased;
  - c. the date of the payment; and

This documentation can be contained in the District's electronic general ledger software system or in a separate report to the Board.

Legal authority: MCL 124.301 et seq.

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