

Policy No.:

Section: Your Government and People

Policy Title: Accounts Receivable Policy

Adopted Date:

By-law No.:

Revision Date:

1. Purpose

- To ensure that all revenues earned by the Municipality of Kincardine and all Accounts Receivables owed to the Municipality of Kincardine are accounted for and recognized in the financial statements according to generally accepted accounting principles (GAAP).
- To guide the management of accounts receivables to ensure timely collection of financial assets in order to maintain a positive cash flow.
- To minimize the financial exposure to bad debts and maximize revenue recoveries.

2. Scope

This policy applies to all Municipal Departments, agencies, boards, commissions and committees funded by the Municipality, in whole or part, or whose governing body contains Municipality of Kincardine representation and whose financial transactions are accounted for within the Municipality of Kincardine's financial systems.

This policy does not apply to property taxes or Provincial Offences Fines which are subject to separate policies and/or legislation.

3. Definitions

Accounts Receivables are generally represented by a sales invoice or some other form (e.g. approved grants and subsidies from other governments/organizations). Under GAAP, accounts receivables are assets that are to be recognized when the revenues are earned.

Cash receipts are the physical receipt of cash to the Municipality of Kincardine (or some form of legal tender rendered through enhanced technology) that occurs as a result of a fee charged for services or sale of goods.

Receivables represent claims for money, goods, services and/or other non-cash assets.

Revenues are increases in economic resources, either by way of inflows or enhancements of the assets or reduction of liabilities resulting from ordinary activities of the Municipality of Kincardine. This will include donations and the sale of goods or services. Also included are revenues earned in the form of grants or subsidies from other governments/organizations. Under GAAP, revenues are recognized when they are earned.

Write Off means to remove an Account Receivable that is deemed uncollectible from the Municipality's financial records.

4. Responsibility

The Finance division is responsible managing accounts receivable and collection management. Invoices will be prepared on a timely basis to permit recording of revenues/recoveries and generation of cash flow.

4.1 The Director of Corporate Services/Treasurer or designate is responsible for:

- Investigating/reviewing alleged policy non-compliance and authorize invoice reversal when applicable.
- Directing the review of this policy, at a minimum every five (5) years, or sooner, if required and recommend updates as necessary.

4.2 The Manager of Financial Services or designate is responsible for:

- Approving department documented procedures or checklists ensuring compliance and reasonable controls are in place.
- Providing, in writing, approval authorities (i.e. Managers, Supervisors or Equivalents) that have the authority to approve AR adjustments and/or cancellations to the Supervisor or Revenue Services/Taxation.
- Maintaining AR records for their respective areas, in accordance with the Records Retention By-Law.

4.3 The Supervisor of Revenue Services/Taxation is responsible for:

- Developing department specific Accounts Receivable procedures and checklists to facilitate compliance with this policy.
- Issuing all invoices, managing accounts receivable, and collections management
- Reviewing all adjustments, cancellations and write offs
- Assisting with customer billing inquiries and resolving customer disputes

4.4 Other departments are responsible for:

- Providing the Finance division with the relevant information for which to generate an invoice in a timely manner;

- Billings generated through departmental software programs, including but not limited to recreational programming and building permits.

4.5 For internal control purposes and to maintain segregation of duties:

- Staff that are responsible for invoice creation cannot apply payments to accounts;
- Staff that are responsible for applying payments to accounts will not be responsible for bank deposits.

5. Procedure/ Policy – General Receivables

5.1 Payment Terms

- i. Invoices for recurring services are issued monthly, while invoices for non-recurring services will be issued in a timely manner after the service has been performed.
- ii. Payment is due 30 days after the service has been invoiced by the Municipality.
- iii. Unpaid invoices will be subject to late payment charges in accordance with the Consolidated Rates and Fees By-law.

5.2 Penalty Reversal

- i. No employee has the authority to waive penalty or interest for any reason.
- ii. Penalty and interest will only be adjusted when approved by the Treasurer as a gross or manifest clerical error.

5.3 Refunds

Payments received in error or paid in excess of the invoice total will be refunded to the payer. No refund will be made if other invoices are outstanding on the customer's account.

5.4 Returned Payments

- i. Payments returned by the customer's financial institution will result in the customer being re-invoiced along with a service charge, in accordance with the Consolidated Rates and Fees By-law.
- ii. Two (2) returned payments within one calendar year will result in the customer being required to pay in advance of services or goods being rendered.

5.5 Extension of Credit

- i. Where a customer has requested credit from the Municipality of Kincardine and an account to be set up for invoicing, the customer will be supplied with a Municipal Credit application (Appendix B).
- ii. Only customers that provide at least 2 acceptable credit references will be extended credit.

5.6 Collections

The Municipality will make efforts to collect all balances due before sending overdue accounts to collections or transferring balances to property taxes.

- i. Statements will be sent out on a monthly basis to accounts with an outstanding balance. Statement fees will be charged in accordance with the Consolidated Rates and Fees By-law.
- ii. After 90 days past due, a final notice will be sent to the customer and the account may be sent to an external collections agency. The account will be suspended. The home department will receive notification of the suspension.
- iii. The Supervisor of Revenue Services/Taxation shall have the authority to assess and determine which accounts shall be sent to collections.

5.7 Payment Plans

- i. Customers having difficulty paying their accounts may have the option to set up a payment plan, at the discretion of the Municipality and on a case-by-case basis.
- ii. The Supervisor of Revenue Services/Taxation has the authority to approve payment arrangements to allow for the outstanding amounts to be collected.
- iii. Payment arrangements cannot exceed 12 months.
- iv. If payment plans are not followed, further action will be taken automatically and without notice, including suspension of services, transferring outstanding balances to property taxes, and/or sending the account to a collection agency.

5.8 Write Offs

- i. Outstanding balances up to \$500 may be written off upon recommendation from the Supervisor of Revenue Services/Taxation, and with the approval of the home Department Head.
- ii. Outstanding balances over \$500 may be written off with the approval of the Treasurer on a case-by-case basis.

6. Procedure/Policy - Utility Receivables (Water/Wastewater)

6.1. Payment Terms

- i. Invoices for water and wastewater services are issued at a minimum of three (3) times per year for residential and commercial services.
- ii. Utility accounts will be issued with a due date not less than 21 days after the invoice date.
- iii. Water and wastewater charges shall be billed as set out in the Consolidated Rates and Fees By-law.

- iv. Unpaid invoices will be subject to late payment charges in accordance with the Consolidated Rates and Fees By-law.

6.2 Penalty Reversal

- i. No employee has the authority to waive penalty or interest for any reason.
- ii. Penalty and interest will only be adjusted when approved by the Treasurer as a gross or manifest clerical error.

6.3 Collections

- i. Statements for account balances over \$20.00 will be sent out on a monthly basis. Statement fees will be charged in accordance with the Consolidated Rates and Fees By-law.
- ii. After 60 days past due, a statement of utility account will be sent to the customer indicating that the account balance will be transferred to property taxes.
- iii. After 90 days past due, the balance of the account will be transferred to the property owner's tax account to be collected in the same manner as taxes and in accordance with the Municipal Act, Section 398(2)(1) and O. Reg. 581/06 s.1. It will remain an encumbrance until such time the balance is paid in full either by the ratepayer or through tax sale.
- iv. If a final utility bill is not paid within 2 business days of the due date, the full account balance will be transferred to the property owner's tax account to be collected in the same manner as taxes.
- v. A transfer fee will apply to balances over \$20.00 and in accordance with the Consolidated Rates and Fees By-law.
- vi. Credit balances will be written-off after 3 years. Staff will make reasonable attempt to notify the account holder, including issuing annual statements to the contact information on file.

7. Related Documents/Legislation

Water By-Law 2016-030

Sewer By-Law 2016-128

Municipal Act, 2001

Invoice Request Form (Appendix A)

Credit Application (Appendix B)