FINANCIAL POLICIES

POLICY NUMBER 16 SUB INDEX

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Policy # 16-1 Financial Reserve Policy

Department: CORPORATE SERVICES **Approval Date: September 9/03**

Amendment Dates: June 22/04 Motion 321/04

Reference: Motion #433/03 - Replaces Existing #16-1

PURPOSE

To ensure that surplus and reserve funds are established and managed in an effective manner.

POLICY GUIDELINES

Segregation of Financial Reserves

The following reserves are hereby established:

1. Separate reserves to hold funds that are restricted in their use by Provincial Legislation or by Legal Agreements.
    a. Planning Cash In Lieu Reserve
2. Funds specifically committed to future programs.
    a. Operating Contingency Reserve
    b. Road Renewal and Replacement Reserve
    c. Municipal Disaster & Emergency Reserve
3. Future Asset Acquisitions included in Capital Budgets.
    a. Capital Reserves by function

Amount of Financial Reserves

The minimum amount in reserves will be sufficient to provide liquidity and cash flows during the first part of the fiscal year until the majority of its annual property taxes are collected. The maximum amount to be held in Financial Reserves is the sum of the funds that are restricted by legislation and agreements, plus those funds that are committed in the future to financing specific purposes.

Reserves shall not include any deposits or deferred revenues for which funds have been received before the corresponding services have been provided.

Council Approval is required for:

1. The establishment of and purpose for new reserves.
2. The closure of reserves that are no longer required.
3. The transfers of funds to and from reserves via the annual budget review process.

4. Long term plans to draw funds from reserves in conjunction with approving longer term operating and capital plans.
5. Individual reallocations of funds held in reserves that are not included in Annual Operating or Capital Budgets.
6. Allocations of unspent funds from one fiscal period to the next period via accumulated surplus.

Review of Uncommitted Reserve & Accumulated Surplus Balances

Council will annually complete a formal review of uncommitted reserves and accumulated surplus balances and determine how each year's annual operating surplus will be designated for future use.

Assurance of Reserve Liquidity

At each year-end the municipality shall attempt to retain a total amount of Cash, Investments and other net liquid assets that is sufficient to fund its reserve balances. This liquidity factor is to be monitored to ensure that Reserves are supported on an ongoing basis by real available dollars that can be readily drawn upon.

Financial Policy #16-1 is hereby replaced.

KNEEHILL COUNTY

SECTION: Financial

POLICY TITLE: Account Receivable Collection Process

POLICY NUMBER: 16-2

DATE: April 27, 2010

PURPOSE:

To establish uniform guidelines for the collection of accounts receivable. The County shall promote and encourage the timely payment of accounts receivable and pursue delinquent accounts in a prudent and diligent manner.

PROCEDURES:

1. All invoices are received by the Accounts Receivable Clerk and will be reviewed to ensure that they are complete; ie. name, address and account number are provided from the invoicing source or department.

2. Any invoices which appear to be incomplete will be returned to the originator or clarification will be obtained by phone.

3. An interest penalty of 1.5% per month is added to the account 30 days after the account is mailed.

4. After 30 days letter #1 will be sent.

5. When an account remains unpaid after 60 days, telephone contact is made and letter #2 inquiring and requesting prompt payment is written.

6. After an account is overdue for 90 days letter #3 is written indicating that the following actions will be taken if the outstanding account is not paid within 30 days of the notification:

   i) Account will be referred to the collection agency or placed on taxes.

   ii) The individual will be added to the delinquent list, and will be unable to access further goods or services from Kneehill County

   iii) Court actions will be authorized for any account in excess of $200.00.

7. After 120 days actions required will be sensitive to the customer's specific circumstances, and if unusual circumstances exist, the Chief Administrative Officer has the authority to temporarily delay the timelines prescribed herein. Letter #4 or #5 will follow the CAO's review.

8. Accounts that have been referred to a collection agency and still prove to be uncollectable shall be written off one year after they have been referred to the collection agency.

7. Should the account be collected by the collection agency within the seven year period the file remains active, the collected amount will be applied to a general collection account, and the individual will be removed from the delinquent listing.

Approval Date		Approved by:		
1. Amendment Date			Regular Council	
2. Amendment Date			Regular Council	
3. Amendment Date			Regular Council	

A/R COLLECTION LETTER NO. 1
(30 days – 60 days)

May 13, 2010

John Doe
Box 123
Calgary, AB T2P 4Z4

Dear (name if known or Sir or Madam if not known):

RE: Outstanding Invoice #
Date:
Amount:

Our records indicate that the attached invoice is now past due.

Please be advised that to keep your account in good standing payment must be made immediately.

Thank you for your prompt attention to this matter.

Yours truly,

_____
Mike Morton
Director of Financial Services

MM/bl

Enclosure

A/R COLLECTION LETTER NO. 2
(60 days – 90 days)

May 13, 2010

John Doe
Box 123
Calgary, AB T2P 4Z4

Dear (name if known or Sir or Madam if not known):

RE: **Outstanding Invoice #**
Date:
Amount:

Our records indicate that the attached invoice remains outstanding.

Please be advised that payment of this account must be received in our office within 30 days from the date of this letter to avoid listing your name for no special services or custom work provided by the County.

Thank you for your prompt attention to this matter.

Yours truly,

_____
Mike Morton
Director of Financial Services

MM/bl

Enclosure

A/R COLLECTION LETTER NO. 3
(90 days – 120 days)

May 13, 2010

John Doe
Box 123
Calgary, AB T2P 4Z4

Dear (name if known or Sir or Madam if not known):

RE: **Outstanding Invoice #**
Date:
Amount:

Our previous efforts to obtain payment of the attached invoice have been unsuccessful.

Therefore, we regrettably advise that your name has been listed for no future special services or custom work provided by the County until such time as the above account has been paid in full.

Methodology to acquire funds will be discussed and agreed upon by the CAO.

Thank you for your prompt attention to this matter.

Yours truly,

_____
Mike Morton
Director of Financial Services

MM/bl

Enclosure

A/R COLLECTION LETTER NO. 4 – For Property Related Purposes Only
(120 days – 150 days)

May 13, 2010

John Doe
RR 3
Lacombe, AB T0C 0Y0

Dear (name if known or Sir or Madam if not known):

RE: **Outstanding Invoice #**
Fire Call:
Date:
Amount:

Our previous efforts to obtain payment of your account have been unsuccessful.

Please be advised that in accordance with Section 553 (1)(g) of the Municipal Government Act, should this amount not be paid in full by within 30 days from the date of this letter, it will be added to the tax roll of the property in which the fire occurred being (legal land location of where fire was).

Please note that as per Section 553 (2) of the Municipal Government Act, when an amount is added to the tax roll of a parcel of land, the amount is: a) deemed for all purposes to be a tax imposed from the date it was added to the roll, and
b) forms a special lien against the parcel of land in favour of the municipality from the date it was added to the tax roll.

Thank you for your prompt attention to this matter.

Yours truly,

_____
Mike Morton
Director of Financial Services

_____
Kevin Miner
CAO

MM/bl

A/R COLLECTION LETTER NO. 5

(120 days – 150 days)

May 13, 2010

John Doe
RR 3
Lacombe, AB T0C 0Y0

Dear (name if known or Sir or Madam if not known):

RE: **Outstanding Invoice #**
Date:
Amount:

Our previous efforts to obtain payment of your account have been unsuccessful.

Further, please be advised that should full payment of this account not be received within 30 days from the date of this letter, we will refer this matter to a collection agency or pursue collection through court action or other means approved by the Municipal Government Act.

Thank you for your prompt attention to this matter.

Yours truly,

_____
Mike Morton
Director of Financial Services

_____
Kevin Miner
CAO

MM/bl

Policy #16-5 **AUTHORIZATION OF UNDBUDGETED EXPENDITURES**

Category: **Financial Policies**

No. **16-5**

AUTHORITY: Council at 2002 Policy Review Committee **DATE: March 20, 2002**

REPLACES: **DATE:**

Further References

Council approval required should approved budgets be exceeded. Clarified budgets refer to total budget per function, not line items, unless specific requests are made to increase approved budgets for line items.

Policy #16-7 INVESTMENT POLICY

Department: Corporate Services	**Approval Date: November 26/03**
Amendment Dates:	**Replaces:**
Reference: Motion #549/03	

PURPOSE

This Investment Policy is adopted by Kneehill County pursuant to Section 250 (2) of the Municipal Government Act.

This Policy with respect to Kneehill County investments has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of Kneehill County funds. The initial step toward a prudent investment policy is to organize and formalize investment-related activities. Related activities, which comprise good cash management include accurate cash projection, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and a short-term borrowing program which coordinates working capital requirements and investment opportunity. In concert with these requirements are the many facets of an appropriate and secure short-term investment program. The funds of Kneehill County shall be invested and secured in compliance with the various provisions of the Municipal Government Act. This Policy will also specify the scope of authority of the County Designee who is responsible for the investment of Kneehill County funds.

SCOPE

It is intended that this policy cover all County funds and funds under the direct control of Kneehill County.

INVESTMENT OFFICER

Council hereby appoints the Chief Administrative Officer/Designate to serve as Investment Officer to handle the investment of County funds. The Investment Officer shall be responsible for investing County funds in accordance with this Policy. The Investment Officer shall invest County funds using the judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. The standard of prudence to be used by the Investment Officer shall be the "prudent person," and shall be applied in the

context of managing an overall portfolio. The Investment Officer (1) acting in accordance with this Policy and any written procedures approved by Council and (2) exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

Disclosures of Relationships with Persons Selling Investments to the County

An investment officer of an entity who has a personal or business relationship with an entity seeking to sell an investment to the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship

Reporting by the Investment Officer

Not less than each Fiscal Quarter and within a reasonable time after the end of the period reported, the Investment Officer shall prepare and submit to Council a written report of tl investment transactions for all funds of the County for the preceding reporting period. Tl reports must (1) describe in detail the investment position of the County on the date of th reports, (2) state the book value and the market value of each separately invested asset at beginning and end of the reporting period by the type of asset and fund type invested, (3) state the maturity date of each separately invested asset that has a maturity date, (4) state the fund for which each individual investment was acquired, and (5) exceptions to the policy.

Selection of Bank and Securities Dealers

Depositories seeking to establish eligibility for certificate of deposit purchase programs shall be selected through the County's depository procurement process, which shall begin with a formal request for proposals every three years. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Office of Corporate Services with the following: (1) Audited financial statements for the financial institution or broker/dealer. (2) Evidence of appropriate registration. For Bank Dealers this requires a statement from a senior bank official that the Bank Dealer is appropriately registered with its primary regulatory agency as a government securities dealer, municipal securities dealer, or both. All transactions will be on a delivery versus payment basis

Certifications from Approved Sellers of Investments

The Investment Officer shall present this Policy to any person seeking to sell to the County an Authorized Investment and to obtain from a principal written confirmation of their intention to adhere to the County's investment policy prior to executing any transaction.

INVESTMENT OBJECTIVES

Objectives

1. The County's general objectives in investing its funds, listed in the order of importance, are:

   a. preservation and safety of principal;
   b. understanding of the suitability of the investment to the financial requirements of the County;
   c. liquidity;
   d. marketability of the investment if the need arises to liquidate the investment before maturity;
   e. diversification of the investment portfolio; and
   f. yield.

2. Safety of principal is the foremost objective of the County.

3. Investment decisions should favor stability of principal over income.

4. The County's investment portfolio shall be structured so as to be sufficient liquid to enable the County to meet all operating requirements which mig be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the County is allowed to borrow under a short· term basis to meet its operating requirements if needed, taking into consideration the net cost to the County.

5. Investments shall be made to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

6. No investments shall be made for the purpose of trading or speculation, such as anticipating an appreciation of capital through changes in market interest rates.

7. The Investment Officer shall seek in the investment process to act responsibly as a custodian of the public trust. The Investment Officer shall avoid any transaction that might impair public confidence in the County's ability to operate effectively. The Investment Officer shall recognize that the investment portfolio is subject to public review and evaluation. The overall

program of managing the County's funds shall be designed and managed with a degree of professionalism that is worthy of public trust.

8. The County, as a general objective, plans to hold investments to maturity while protecting principal and obtaining the highest rate of return possible at the date of investment. It is not the intent to devote substantial efforts to earn profit on investment market fluctuations. Investments will be purchased because of their interest yield expectations over their remaining life rather than for speculative purposes.

9. Investments will be primarily fixed income securities and generally held to maturity. Investments can be sold prior to maturity as long as it can be demonstrated to be in the best interests of the County. Investments will not be sold based on projected interest rate movements.

10. Pooling of fund groups for the purposes of investment is approved and allowed.

Authorized Investment Instruments

Funds of the County may be invested in any of the securities authorized by Section 250(2) (a) to (d), Municipal Government Act with a minimum (DBRS) Dominion Bond Rating Service of R-1 or AAA.

Internal Accounting Controls

The Investment Officer, shall prepare a system of internal accounting controls which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officials of the County. Controls deemed most important include control of collusion, segregation of duties, segregation of transaction authority from accounting and record keeping, custodial safekeeping, avoidance of bearer form securities, clear delegation of authority, specific limitations regarding securities losses and remedial action, approved written confirmation of telephone transactions, documentation of transactions and strategies and code of ethics standards. Investments will be valued and accounted for according to Generally Accepted Accounting Principles.

Maturity

County funds, except funds accumulated for debt service, Road renewal and replacement, and operating contingency shall be invested only in investments whose maturities do not

exceed three years at the time of purchase. Debt service funds may be invested for a period not to exceed two years. Capital funds may be invested for a period not to exceed three years. Road Renewal and Replacement Funds and Contingency Funds may be invested for a period not to exceed five years.
In addition, the weighted average maturity of the overall portfolio, excluding those investments held for future major capital expenditures (construction funds), debt service, and Road renewal and replacement shall not exceed two years.

Diversification
It is the policy of the County to diversify its investment portfolio. All funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

2. Liquidity shall be maintained through practices that ensure that the liquidity needs of the next disbursement date and payroll date are covered through maturing investments or marketable securities.

3. Risks of market price volatility shall be limited through maturity diversification.

4. The following diversification limitations shall be imposed on the portfolio:
   a. Maturity No more than 25% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, may be invested beyond twenty-four (24) months, and the average maturity of the overall portfolio, with the previous exception, shall not exceed two years.

   b. Risk Default Stringent restrictions on legally authorized investments and the legal requirements for full collateralization severely reduce the potential of default risk. Nonetheless, no more than 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer unless 100% guaranteed.

   c. Marketability At least 15% of the portfolio, excluding those investments held for future major capital expenditures, and debt service

payments, shall be invested in overnight instruments or in marketable securities, which can be sold to raise cash within one day's notice.

Risk Tolerance

The County recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary liquidity. Portfolio diversification is employed as a way to control risk. The Investment Officer is expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio.

In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All investment funds will be placed directly with qualified financial institutions.
2. All transactions will be settled on delivery versus payment basis.
3. The County will not enter into reverse repurchase agreements or trade in options or future contract.
4. A competitive bid process will be used to place government security purchases or sales. Based on an annual evaluation, banks and securities dealers will be dropped from or continued on the eligibility list. The following criteria will be used in the annual evaluation:

    a. number of transactions competitively won;
    b. prompt and accurate confirmation of transactions;
    c. efficient securities delivery;
    d. accurate market information;
    e. account servicing;
    f. moral character and public ethics of both broker and firm.
    g. trading history.

Safekeeping and Custody

To protect against potential fraud and embezzlement, the financial assets of the County shall be secured through safekeeping procedures. County employees shall be bonded to protect the public against possible embezzlement and malfeasance.

Policy of Securing Deposits of County Funds - Applicable to all Deposited County Funds

1. Only Alberta Credit Unions are insured by the Province of Alberta for 100% of its member's deposits. The County recognizes that CDIC (or its successor) insurance is available for County funds deposited at any other Financial Institution (including branch banks) only up to a maximum of $60,000 (including accrued interest) for each of the

following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of the County that all deposited funds in each of the County's accounts shall be insured by the CDIC, or its successor unless 100% guaranteed by the Province.

2. Certificates of deposit, to the extent that they are not insured, may be secured by any securities allowed under the Investment Act and depository contract.

3. Demand deposits (for example, checking accounts) and savings accounts, to the extent that they are not insured, may be secured by any securities allowed under the Collateral Act.

Investment Policy Review

The Investment Policy shall be formally reviewed and approved by Council when amendments are made or at least annually.

INVESTMENT STRATEGIES FOR FUNDS

General Fund Group

The County's operating expenditures and the revenues to fund those expenditures are accounted for in the County's general fund. The general fund is also used to account for revenues restricted by statute for debt service funds and to account for the accumulation of resources for public improvement contingencies. Most of the general fund is pooled with other County funds for investment purposes. The amount restricted for the Contingency Fund is invested in the County’s pooled investments. The debt service funds included within the general fund classification are not pooled with other County funds for investment purposes and should be invested in compliance with the strategies for Debt Service Funds. Short term borrowing may be necessary during the fiscal year for the general fund operating expenditures to cover negative cash positions until ad valorem tax receipts are received. The average duration of the investments relating to the general fund operating activity is to be one year or less.

Debt Service Funds

The debt service funds, including those reported in the County's financial reports within the general fund, are used to account for the accumulation of resources to fund periodic principal and interest payments on outstanding obligations. The revenue stream is predictable and the majority comes from ad valorem tax and special purpose revenues. The average duration is nine months or less for these funds. Most of these debt service funds are not pooled with other funds for investment purposes.

Capital Project Funds

Capital project funds for the County are used to account for construction and other nonrecurring capital expenditure activity. Investment of most of these funds results in a maximum duration of three years for the investments.

Propriety Funds

The County's Road project is also accounted for as a proprietary-type fund with investments restricted by a trust indenture executed in connection with the financing of the project. The duration of the investments is generally three years or less, with the exception of the bond reserve and Road renewal and replacement funds, which are invested with an average duration of five years or less.

Policy #16-8 Municipal Disaster & Emergency Reserve

Department: PROTECTIVE SERVICES **Approval Date: November 13/03**

Amendment Dates: **Replaces:**

Reference: Motion #526/03

PURPOSE:
To administer a monetary reserve for the purpose of providing funds to respond to unbudgeted expenses incurred as a result of local emergencies or disasters.

POLICY STATEMENT:
A financial reserve shall be established for the purpose of providing monetary funds to respond to unbudgeted expenses incurred by the County as a result of a state of local emergency or other disasters. The reserve balance shall not exceed Five Hundred Thousand ($500,000.00) dollars. The County Disaster and Emergency Reserve funds are primarily intended for:

a) Providing funding necessary to meet obligations of the County during a state of local emergency; and
b) Meeting the County's obligations associated with Provincial and Federal government disaster or emergency programs. (eg. Municipal Wildfire Assistance program)

DEFINITIONS:

a) ***Disaster***: means an event that has resulted or may result in serious harm to the safety, health, or welfare of people, or in widespread damage to property.
b) ***Emergency***: means a present or imminent event that requires prompt coordination of action or special regulation of persons or property to protect the health, safety or welfare of people or to limit damage to property. An urgent need for assistance.

POLICY GUIDELINES:

1. The Council shall ensure that an amount of $500,000.00 is maintained annually in the County Disaster and Emergency Reserve, and that the Reserve does not exceed that amount. Should the Reserve be used and is not immediately reimbursed by the Provincial or Federal Government, the maximum yearly contribution to replenish the funds would be $100,000.00 from Operating funds, subject to a motion by Council.

2. The Director of Disaster Services, or the designate, is authorized to utilize funds from the County Disaster Reserve during a state of local emergency to meet unbudgeted expenses.

3. Funds from the County Disaster and Emergency Reserve may be used to meet unbudgeted expenses for local emergencies or disasters which did not require a state of local emergency, only upon Council approval.

4. Council shall be advised as soon as practical as to the amount of funds used and general areas of expenditure (e.g. wages, contracted services, materials, etc.) whenever funds are drawn from this reserve.

TITLE: SIGNING AUTHORIZATION

Category: Financial

Policy # 16-9

PURPOSE
To establish the signing authorities for all financial instruments.

POLICY STATEMENT
Kneehill County needs to have controls in place to ensure that all financial instruments are properly authorized and reflect the intent of Council.

POLICY GUIDELINES

1) The Reeve/Deputy Reeve and Administration shall exercise due diligence when exercising their signing authorities to ensure that Council's intent is being carried out.

2) Council recognizes that in the interest of efficiency that is not necessary that every cheque be signed by the Reeve/Deputy Reeve and that there are more efficient alternative methods for the Reeve/Deputy Reeve to discharge their fiduciary responsibilities.

3) The signing authorities for Kneehill County will be the Reeve, Deputy Reeve, Chief Administrative Officer, Assistant CAO, Finance Director, and the Executive Assistant.

4) Cheques drawn on the bank accounts of Kneehill County shall be signed and countersigned as hereafter provided:
    a. Cheques issued for payment of Payroll Remittances for source deductions shall be signed by any two of the authorized signing authorities.

    b. Cheques issued for payment of fuel and fuel products shall be signed by any two of the authorized signing authorities, one of which must be the Chief Administrative Officer or Assistant CAO.

c. All Accounts Payable cheques up to $ 10,000.00 shall be signed by any two of the authorized signing authorities, one of which must be the Chief Administrative Officer or Assistant CAO.

d. All Accounts Payable cheques exceeding $10,000.00 shall be signed by the Chief Administrative Officer/Assistant CAO and countersigned by the Reeve/Deputy Reeve.

e. `A listing of accounts payable cheques will be presented to Council for their review.

5) Direct Deposit Payroll and Councillor Expense Claims

a. The Payroll Register and the Transmission Confirmation Listing must be signed and dated by the Chief Administrative Officer/Assistant CAO or Director of Finance signifying approval of the payroll.

b. As a means of internal control, Payroll and Expense Claims for Council shall be reviewed by the Reeve and Council, via printing a quarterly report in the Information Package.

c. Personnel and Payroll files housed within the Accounting Software on the main computer drive will have security applied to them in the form of a password and only the Chief Administrative Officer, the Assistant CAO, Director of Finance, Payroll Clerk, and anyone deemed necessary by the Chief Administrative Officer will have access to the password.

d. Late arrival of Councillor per diem and expense sheets will result in being paid the following month.

6) To avoid late fees, Utility and Telephone Bills will be paid through preauthorized payment withdrawal. Verification of bills for accuracy will be the responsibility of the appropriate department head.

7) Signing authority is cancelled upon leaving employment/office.

Approval Date	Sept. 9, 2003	Approved by:	Regular Council	Motion # 413/03
1. Amendment Date	June 13, 2006		Regular Council	Motion # 280/06
2. Amendment Date	May 28, 2007		Regular Council	Motion # 236/07
3. Amendment Date	Jan 29,2008		Regular Council	Motion #33/08

SECTION: Financial
POLICY TITLE: County Credit, Debit and Fuel Cards
POLICY NUMBER: **16-12**

Purpose:
To establish a policy and procedures for the acquisition and use of credit cards and debit cards in the name of the Kneehill County for Authorized Holders.

Object:
To set out reasonable and responsible parameters for the use of Kneehill County credit, debit and fuel cards and to ensure users are aware of the privileges and duty of care associated with such use.

Policy Statement:
The Council recognizes the importance of providing controls to ensure all financial transactions are properly accounted for and administered in a timely manner to reduce liability exposure to Kneehill County and Authorized Holders of County credit cards and debit cards.

Definitions:
Authorized Holder means any person who holds the position of Reeve, Chief Administrative Officer (CAO), or member of the Senior Management Team, and includes any other person as authorized by the CAO or Operations Director for the use of fuel cards.

Card means a credit card, debit card or fuel card.

County means Kneehill County, a municipal corporation in the Province of Alberta.

Credit Card means any card issued by a financial institution, bank or corporation to the County for any Authorized Holder, authorizing the holder to buy goods or services on credit on behalf of the County.

Debit Card means any card issued by a financial institution or bank to the County for any Authorized Holder, authorizing the holder to buy goods or services by electronic withdrawal of funds on deposit in a bank on behalf of the County.

Goods and Services means any goods or services which would normally be required by the Authorized Holder as part of normal County operations as approved within the annual County Budget, but does not include cash withdrawals.

Procedures:

1. The following positions will be eligible as Authorized Holders of a County card for payment or charge of legitimately budgeted items with the following limits:

Card Type	Department	Position	Limit
Credit/Debit Card	Legislative	Reeve	$ 2,500.00
	Administration	CAO	$ 10,000.00
		Assistant CAO	$ 5,000.00
		Financial Services Director	$ 5,000.00
	Agricultural Services	Agricultural Fieldman	$ 2,500.00
	Assessment	Senior Assessor	$ 2,500.00
	Fire	Emergency Services Officer	$ 2,500.00
	Enforcement	Sr. Peace Officer	$2500.00
	Planning	Planner	$ 2,500.00
	Operations	Operations Director	$ 5,000.00
	Torrington Fire Dept		$1,000.00
UFA Fuel Card	Administration	CAO	Per Corporate Agreement
	Operations	Operations Director	Per Corporate Agreement

2. The charge or purchase of personal expenses, alcoholic beverages or any item or event not related to County duties or employment is not allowed.

3. Authorized Holders will be responsible to:
   a) safeguard any card issued to them by the County from use by unauthorized individuals;

b) abide by the terms and conditions of this policy and procedures and any agreement required by a financial institution, bank or corporation for a card;
c) turn credit slips and debit slips, along with an appropriate vendor invoice, complete with GST number, into the Accounts Payable Clerk the first working day after the expense is incurred if it was local or upon return from a workshop, conference or convention.
d) review and sign any agreements required by the County or a financial institution, bank or corporation for the card;
e) provide any personal information as required by a financial institution, bank or corporation, within the limits of any Provincial or Federal law which may apply, for the card;

f) forfeit the card upon:
   i) suspension or termination of employment with the County
   ii) failure to adhere to the terms and conditions of use of a County card.

4. The CAO, or designate, will cause an investigation upon any allegation of inappropriate expenditure or charge. Use of the card is considered a privilege and all Authorized Holders will respect the fact the card provides access to public funds. The Council, CAO, or designate, may take any of the following actions in the event any expenditure is found to be inappropriate:
   a) issue a warning and seek reimbursement;
   b) suspend or terminate employment;
   c) proceed with legal action in a court of jurisdiction;
   d) recall the card.

Approval Date	March 30/06	Approved by:	Regular Council	Motion #138/06
1. Amendment Date	May 11/10		Regular Council	Motion # 231/10
2. Amendment Date				
3. Amendment Date				

I hereby acknowledge receipt of a Kneehill County Credit Card/Debit Card/ Fuel Card. I fully understand that any purchases made or payment of any expenses must be on behalf of Kneehill County as set out in Policy No. 16-12

I shall undertake to protect the Card while it is in my possession and I shall not give the card or card number to any other person (except the merchant with whom I am transacting on behalf of the County).

Should the card be lost, stolen, or suspended or compromised in any manner while it is in my possession, I shall immediately advise the Chief Administrative Officer.

I acknowledge that the card does not provide me personally with any benefits or features, and at all times remains the property of Kneehill County.

I understand and agree that willful or negligent use of this card while in my custody will result in Kneehill County taking recovery action as they deem appropriate, pursuant to Policy # 16-12 .

Type of Card	Sign Out	Date	Sign In	Date

SECTION: **Finance**
POLICY TITLE: **Tangible Capital Asset Accounting Standards & Depreciation Policy**
POLICY NUMBER: **16-13**

PURPOSE
To comply with CICA accounting, reporting, and audit changes with respect to Tangible Capital Assets as per Section 3150 of the Public Sector Accounting Handbook by 2009.

POLICY STATEMENT
Kneehill County Council recognizes it must record Tangible Capital Assets to comply with new accounting rules and depreciation standards for the Public Sector. Kneehill County Council directs Administration to acquire appropriate software, compile information and develop procedures to implement this policy in a timely, consistent and ongoing manner.

POLICY GUIDELINES
DEFINITIONS

- **AMORTIZATION** (depreciation) is an annual charge to expenditures for the use of a capital asset.
- **CAPITALIZATION VALUE THRESHOLD or "CVT"** is the minimum value spent on an asset to be classified as a TCA. Each Asset Classification will have its' own CVT.
- **NEW AGGREGATE COST OR HISTORICAL AGGREGATE COST** is defined as the gross amount* of consideration paid to acquire, construct, develop or better a TCA, including all costs directly attributable to acquisition, construction, development or betterment of the TCA including installation of the asset at the location and in the condition necessary for its intended use. *(Consultant/engineers costs do apply……staff wages are considered operating costs.) Where no records exist, Historical Aggregate Cost will be established by taking current reproduction cost and deflating the value using the Consumer Price Index rate of inflation back to date of acquisition. The cost of a contributed TCA, including a TCA in lieu of a developer charge, is considered to be equal to its FAIR MARKET VALUE at the date of contribution.
- **FAIR MARKET VALUE** is the amount of consideration a willing buyer would pay to a willing seller in an arms length transaction where there is no compulsion to act whether the asset is new or used.

- **Declining Balance Depreciation** can be used for TCAs where depreciation is rapid at first and then slows down. Canada Revenue Agency rates will apply.
- **Output Depreciation** determines depreciation by a TCAs' unit of use or productivity. Divide the TCA cost by total expected productive output and multiply the cost per unit by actual production to date.
- **Straight-line Depreciation** assumes an assets economic useful life is the same each year and amortization amount is determined by dividing original cost (less any residual value) by estimated life expectancy in years.
- **Tangible Capital Assets or "TCAs"** are defined as non-financial assets having physical substance held for use in the production or supply of the goods and services, for rental to others, for administrative purposes or for the development, maintenance or repair of other tangible assets, have useful economic lives beyond one accounting period, are used on a continuing basis and are not for sale in the ordinary course of operations.

CLASSIFICATION OF ASSETS:

The Major Asset Classifications are:

1. Land
2. Land Improvements
3. Buildings
4. Engineered Structures
5. Machinery and Equipment
6. Vehicles
7. Cultural and Historical

Minor classifications in each major category may be used as well as further sub-classes based on location, unique criteria, applications, methodologies and asset lives as per **APPENDIX A**.

CAPITALIZATION VALUE THRESHOLDS:

The Capitalization Value Threshold (CVT) of each Asset Category is:

1. Land	$ Record all
2. Land Improvements	$ 10,000
3. Buildings	$50,000.00
4. Engineered Structures	$50,000.00
5. Machinery & Equipment	$ 10,000
6. Vehicles	$ 10,000
7. Cultural and Historical	$ Record all

Minimum USEFUL LIFE THRESHOLD is set at 3 years.

RECORDING AND VALUING ASSETS:
Each TCA will be recorded at historical aggregate cost. The cost less any residual value will be amortized over its' useful life expectancy.
LAND owned by the County includes parkland, environmental reserve, gravel pits, dams, cemeteries, lagoons, recreation areas, land for County owned facilities, leased land and land under roads, alleys and sidewalks. All land owned by the County is segmented by each parcel held. County parkland, land for County facilities and leased facilities is quantified and included in the County's land database. Due to the age of the land under roads and sidewalks, existing County land under them are considered to have a nominal value of $1.00.

BUILDINGS owned by the County include the Administration office, fire halls, operations buildings, grader shops, storage facilities, community centers and third party leased properties. A building is segmented by envelope, roof and equipment and other significant component parts based on useful life. .

BUILDING IMPROVEMENTS include furniture, fixtures and equipment along with interior fit-outs (could mean drywall/electrical/plumbing/heating or air for large buildings, arenas, pool, etc) required to make the building ready for use. Furniture, fixtures and fit-outs are capitalized if purchased in volume and the volume exceeds the threshold limit or if the individual cost of items exceed the CVT. (If replacing 30 new doors at $400 each bettered the building for another 3-5 years it could be capitalized. This would be reviewed at audit time)

VEHICLES, MACHINERY & EQUIPMENT are pooled, segmented at unit level for threshold purposes.

IT INFRASTRUCTURE includes software, hardware, computers, printers, scanners, photocopiers and telephone networks. IT infrastructure is capitalized if each purchase or project meets minimum threshold value. Segmentation for the network is by each hub and each software application. Computers and printers, scanners, photocopiers, etc. are capitalized if purchased in volume and the volume exceeds the CVT.
LINEAR INFRASTRUCTURE such as water, sewer, drainage, communication and transportation systems will be recorded on the segment

basis by wells, reservoirs, water mains, valves, hydrants, sewer mains, pump stations, manholes, catch basins, radio towers and services. LINEAR INFRASTRUCTURE such as roads, lanes, sidewalks, traffic intersections, street lights, signage and structures. Structures include bridges and retaining walls. Aggregation for threshold purposes is by capital project. Capital projects are recorded as assets by allocating costs to each component part.

TCAs still in use but fully amortized will be recorded at original cost with full amortization until the asset is no longer in use. Useful life expectancies may be adjusted as required if a TCA is fully amortized and still in use.

Multiple assets having individual values below CVT may be expensed.

To establish TCA opening values where no historical records are available, Deflated Reproduction Cost will be calculated by taking today's cost and deflating its' value by using the Consumer Price Index **(APPENDIX B)** back to date of acquisition.

BETTERMENT OR MAINTENANCE:
Amounts spent on TCAs to increase physical output or service capacity, decrease operating costs, extend the minimum useful life by 3 years or more, or improves the quality of output of the TCA will be classified as Betterment and will be added to the TCA and amortized. All other expenditures will be expensed.

AMORTIZATION METHODS AND RATES:
In most cases the valuation date for TCAs will be the date of acquisition or date the asset goes into service. In a case of change in municipal entity, change in status of municipal entity, dissolution, amalgamation or annexation, the value of the TCAs contributed will be the date of the Order in Council, dissolution or annexation approval.

Land (with the exception of Landfill sites) and Cultural and Historical property will not be depreciated.

In the depreciation of land improvements, buildings and land engineered structures the straight line method of amortization will be used.

In the depreciation of vehicles and construction machinery and equipment the unit of use or output method of depreciation will be used.

In the years of acquiring and disposing of a TCA, no matter what month it is purchased or disposed in, it will be depreciated 50 per cent of the annual depreciation amount in each of those years.

USEFUL LIFE RANGES: as per Appendix A.
If the useful life is determined to be longer than the recommended life, adequate documentation must be on file to support the decision.

REVIEWS, ASSET DISPOSALS AND WRITE-DOWNS:
At least once annually the Finance Director and Accounting Supervisor will review existing TCA records and adjust values, useful life and amortization methods if required, to ensure the appropriate depreciation method and useful life term has been established for each asset. Recommendations will be presented to CAO for final determination.

TCAs will be recorded at time of purchase and disposal or sale in the Finance Department into the municipal software system by the Accounting Supervisor, Payroll Administrator or Accounts Payable Clerk**.**

Full depreciation write downs will occur during the annual audit for assets reaching permanent full economic benefit and the value of future economic benefit is less than its' net book value.

MAINTAINING RECORDS, FINANCIAL SYSTEM, ASSET RECORDING SYSTEM, ASSET MANAGEMENT SYSTEM:
Where possible, each Tangible Capital asset categorized will have a paper record such as a copy of the original invoice, cheque, purchase order, sales contract or accepted offer to purchase. Once entered into the Physical Assets computer program the records will be scanned into the Kneehill County electronic filing system and paper copies can be destroyed.

FINANCIAL REPORTING AND BUDGETS
A current list of TCA acquisitions and disposals will be produced for the annual audit to ensure the appropriate adjustments have been made in the general ledger accounts and for the financial statement.

The cumulative cost of TCAs purchased and expensed because individual values are below the CVTs will be produced and reviewed annually during audit for materiality purposes.

All accounting procedures will comply with CICA PSAB regulation 3150.

Approval Date	May 27, 2008	Approved by:	Regular Council	260/08
1. Amendment Date				
2. Amendment Date				
3. Amendment Date				

APPENDIX A:
RECOMMENDED MAXIMUM USEFUL LIFE

Asset Classes **Major** ***Minor*** **Sub-class One** ***Sub-class Two*** **Sub-class Three**	**Maximum Useful Life**
Land	
Right-of-way	
Undeveloped right-of-way	
Parks	
General	
Cultural & Historical Assets	
Public art	
Historical	
Heritage site	
Land Improvements	
Parking lot	
Gravel	**15**
Asphalt	**25**
Playground structures	**15**
Landscaping	**25**
Fences	**20**
Sprinkler systems	**25**
Golf course	**45**
Tennis courts	**20**
Fountains	**20**
Lakes/ponds	**25**
Retaining walls	**20**
Running tracks	**15**
Outdoor lighting	**20**
Airport runways	**10**
Soccer pitch - out door	**20**
Bike/jogging Paths	
Gravel	**15**
Asphalt	**20**
Landfill	
Pits	**Volume**
Pads	**Volume**
Transfer stations	**25**
Construction in progress	
Buildings	
Permanent Structures	
Frame	**50**
Metal	**50**
Concrete	**50**
Portable Structures	
Metal	**25**
Frame	**25**
Leasehold improvements	**Variable**
Construction in progress	

Asset Classes **Major** ***Minor*** **Sub-class One** ***Sub-class Two*** **Sub-class Three**	**Maximum Useful Life**
Engineered Structures	
Roadway system	
Bridges	**Variable**
Overpass/interchange	**60**
Curb & gutter	**30**
Parkades	**50**
Roads & streets	
Lanes/alleys	
ACP- hot mix	**20***
Gravel	**15***
Nonconforming	**20***
Local/Collector/Arterial/Major Arterial	
Surface	
Concrete	**30***
ACP –hot mix	**20***
ACP- cold mix	**10***
Chip seal	**10***
Oil	**5***
Gravel	**25***
Subsurface	**40***
Road signs	
Traffic control	**30**
Information	**30**
Lights	
Decorative	**30**
Street	**30**
Traffic	**30**
Guard rails	**30**
Ramps	**30**
Sidewalks & para-ramps	**30**
Light rail system	**65**
Construction in progress	
(*subject to weather conditions)	
Water system	
Distribution system	
Mains	**75**
Services	**75**
Pumps, lift, and transfer stations	**45**
Plants and facilities	
Structures	**45**
Treatment equipment	
Mechanical	**45**
Electrical	**45**
General	**45**
Pumping equipment	**45**
Hydrants/fire protection	**75**
Reservoirs	**45**
Construction in progress	

Asset Classes **Major** ***Minor*** **Sub-class One** ***Sub-class Two*** **Sub-class Three**	**Maximum Useful Life**
Wastewater system	
Collection system	
Mains	**75**
Services	**75**
Pump, lift and transfer stations	**45**
Plants and facilities	
Structures	**45**
Treatment equipment	
Mechanical	**45**
Electrical	**45**
General	**45**
Pumping equipment	**45**
Lagoons	**45**
Construction in progress	
Storm system	
Collection system	
Mains	**75**
Services	**75**
Pump, lift and transfer stations	**45**
Catch basins	**75**
Outfalls	**75**
Wetlands	**75**
Retention ponds	**75**
Treatment facility	**45**
Construction in progress	
Fibre optics	**30**

Asset Classes **Major** ***Minor*** **Sub-class One** ***Sub-class Two*** **Sub-class Three**	**Maximum Useful Life**
Overhead (O/H) conductors & devices	35
Underground (U/G) conductors & devices	40
U/G conduit	40
UG cable	40
Construction in progress	
Electrical Distribution	
Site development	35
Station & line equipment	
Transformers	40
Switchgear	35
Protection systems	20
Insulators	60
Towers and fixtures	38
Poles and fixtures	38
O/H conductors & devices	35
U/G conductors & devices	40
U/G conduit	40
Construction in progress	
General Plant – Electrical	
Site development	80
Electrical substations	
Site development	35
Station & line equipment	
Transformers	40
Switchgear	35
Protection systems	20
Other structures & equipment	35
Towers and fixtures	38
Poles and fixtures	38
O/H conductors & devices	35
U/G conductors& devices	40
U/G conduit	40
U/G cable	40
Construction in progress	

Asset Classes **Major** ***Minor*** **Sub-class One** ***Sub-class Two*** **Sub-class Three**	**Maximum Useful Life**
Machinery and Equipment	
Heavy construction equipment	**Variable**
Stores	**25**
Food services	**10**
First equipment	**12**
Police special equipment	**10**
Aircraft	**Variable**
Boats	**25**
Fitness and wellness	**10**
Control systems	**5**
Communication links	**20**
SCADA system	**10**
Fuelling stations	**15**
Laboratory	**10**
Communications	
Radios	**10**
Telephone systems	**10**
Tools, shop, and garage equipment	**15**
Scales	**15**
Bins	**15**
Meters	
Electrical	**20**
Cumulative	**20**
Interval	**20**
Gas	**20**
Water	**40**
Parking meter and splitters	**20**
Turf equipment	**10**
Ice re-surfacer	**10**
Office Furniture & Equipment	
Furniture	**20**
Office equipment	**10**
Audiovisual	**10**
Photocopies	**5**
Computer Systems	
Hardware	**5**
software	**10**
Construction in progress	
Vehicles	
Light duty	**10**
Medium duty	**10**
Heavy duty	**10**
Transit buses	**20**
Fire trucks	**25**

Light rail transit cars *Construction in progress*	**40**

Discount Factor and Deflated Cost

Discount Factor

- Index for in-service year / index for current year

Deflated Cost

- *Current cost * Discount Factor*

Example

1989 Discount factor : 70.9/112.3 = 0.631
Roof deflated cost: $1M * 0.631 = $631,000

Discount Factors

Discount factors for Example

1940	0.071	(8.0 / 112.3)
1989	0.631	(70.9/112.3)
1999	0.814	(91.4/112.3)
2002	0.890	(100.0/112.3)
2005	0.963	(108.1/112.3)
2006	1.000	(112.3/112.3)

APPENDIX B

Consumer Price Index (Combined Alberta /Canada)

Year	CPI Alberta	Discount Factor		Year	CPI Alberta	Discount Factor
2006	112.3	1.000		1959	15.3	0.136
2005	108.1	0.963		1958	15.2	0.135
2004	105.9	0.943		1957	14.8	0.132
2003	104.4	0.930		1956	14.3	0.127
2002	100.0	0.890		1955	14.1	0.126
2001	96.7	0.861		1954	14.1	0.126
2000	94.5	0.841		1953	14.0	0.125
1999	91.4	0.814		1952	14.2	0.126
1998	89.2	0.794		1951	13.8	0.123
1997	88.1	0.785		1950	12.5	0.111
1996	86.4	0.769		1949	12.2	0.109
1995	84.5	0.752		1948	11.8	0.105
1994	82.6	0.736		1947	10.3	0.092
1993	81.4	0.725		1946	9.4	0.084
1992	80.6	0.718		1945	9.2	0.082
1991	79.4	0.707		1944	9.1	0.081
1990	75.0	0.668		1943	9.0	0.080
1989	70.9	0.631		1942	8.8	0.078
1988	68.0	0.606		1941	8.4	0.075
1987	66.2	0.589		1940	8.0	0.071
1986	63.7	0.567		1939	7.6	0.068
1985	61.6	0.549		1938	7.7	0.069
1984	59.8	0.533		1937	7.7	0.059
1983	58.2	0.518		1936	7.4	0.066
1982	55.4	0.493		1935	7.2	0.064
1982	49.8	0.443		1934	7.2	0.064
1980	44.1	0.393		1933	7.1	0.063
1979	40.0	0.356		1932	7.5	0.067
1978	37.7	0.336		1931	8.2	0.073
1977	33.6	0.299		1930	9.1	0.081
1976	31.1	0.277		1929	9.2	0.082
1975	29.0	0.258		1928	9.1	0.081
1974	26.2	0.233		1927	9.1	0.081
1973	23.6	0.210		1926	9.2	0.082
1972	21.9	0.195		1925	9.1	0.081
1971	20.9	0.186		1924	9.0	0.080
1970	20.3	0.181		1923	9.2	0.082
1969	19.7	0.175		1922	9.2	0.082
1968	18.8	0.167		1921	10.0	0.089
1967	18.1	0.161		1920	11.4	0.102
1966	17.5	0.156		1919	9.8	0.087
1965	16.8	0.150		1918	8.9	0.079
1964	16.4	0.146		1917	7.9	0.070
1963	16.1	0.143		1916	6.7	.00.060
1962	15.9	0.142		1915	6.1	0.054
1961	15.7	0.140		1914	6.0	0.053
1960	15.5	0.138				

TITLE: AUDIT COMMITTEE

Category: Financial

Policy # 16-14

Background/Mandate

The Audit Committee was established in 2009 for the purpose of having a focused group oversee council's financial affairs as defined within Part 8 of the Municipal Government Act. This step was recommended by the County external auditors and are recommended practices by the Canadian Institute of Chartered Accountants.

The primary function of the Audit Committee is to assist Council in fulfilling its financial responsibilities related to the quality and integrity of financial reporting. Consistent with this function, the Audit Committee assures fair presentation of the financial position and results of Kneehill County operations, in accordance with Canadian generally accepted accounting principles, and ensures that appropriate systems and controls are maintained for the protection of assets. The Audit Committee also oversees the County's compliance with its legal, regulatory, and contractual obligations.

Membership

The Audit Committee is comprised of all members of Council, appointed annually at the organizational meeting. The Chair and Vice-Chair is appointed from within the committee.

The CAO, Director of Finance or designates are members of administration responsible for the administrative duties of this committee, which include recording of minutes of meetings.

Meetings

Meetings may be convened at the request of the Chair, external auditors, as appointed by Council, or administration, but in no circumstances are to be less than twice per year.

Roles and Responsibilities

1. Financial Reporting

Reviewing Kneehill County's annual financial statements, assessing the quality and appropriateness of the generally accepted accounting principles used to prepare these statements, and recommending the annual financial statements to Council for approval.

Reviewing the significant estimates used in preparing the financial statements and significant variances from plans or comparable results of prior periods.

Reviewing the external auditor report and discussing the financial statements with Council, management and the external auditor.

2. Relationship with External Auditor
   Reviewing and approving the overall scope and approach of the auditor's annual audit plan. Reviewing and making recommendations, as appropriate, on any matter relating to the external audit of the County's accounts. Reviewing the auditor's performance, at least annually, including a review of all relationships and engagements between the auditor and the County for non-audit services that may reasonably be thought to bear on the independence of the auditor. Providing recommendations to Council on the above actions.

3. Financial and Accounting Policies
   Reviewing the appropriateness of the financial and accounting policies and disclosures and recommending changes to Council.

4. Risk and Uncertainty
   Reviewing the appropriateness of insurance coverage maintained by the County, and reviewing pending and/or outstanding claims and/or matters before the County.

5. Financial Controls and Control Deviations
   Reviewing and considering any matters relating to the adequacy of internal controls and any reports from management or Council on significant control deviations or indications of fraud and the corrective action undertaken with regard thereto.

6. Compliance with Laws and Regulations
   Reviewing, as required, reports from management and others relating to the County's compliance with laws and regulations that it is subject to.

Approval Date	August 4, 2009	Approved by:	Council Meeting	
		Resolution	Motion 370/09	