

CITY OF CHESTERMERE

POLICY HANDBOOK

EFFECTIVE DATE: October 20, 2020		SECTION: 400 POLICY: 452
APPROVED BY: City Council	APPROVED DATE: October 20, 2020	TITLE OF POLICY: Recording Financial Transactions Policy
REVIEW DATE:	AMENDMENT DATE: N/A	PAGE NO.: 1 of 8
POLICIES AMENDED / RESCINDED: N/A		POLICY TYPE: Council

PURPOSE

The overarching goal of this policy is to ensure accurate recording of all financial transactions for the City. This is accomplished by matching the activity to the financial transaction and coding to the appropriate general ledger account number.

DEFINITIONS

GAAP – Generally Accepted Accounting Principles – a set of rules that encompass the details, complexities, and legalities of business and corporate accounting. The Financial Accounting Standards Board (FASB) uses GAAP as the foundation for its comprehensive set of approved accounting methods and practices.

MGA – Municipal Government Act, Revised Statutes of Alberta 2000 Chapter M-26

PSAS – Public Sector Accounting Standards - the accounting framework created by the Public Sector Accounting Standards Board (PSAB) to serve the public interest by establishing accounting standards for the public sector.

POLICY STATEMENT

The City of Chestermere records transactions for all financial activities of the City. The City adheres to Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Standards (PSAS). The City also complies with all legislation and regulations within the Municipal Government Act (MGA), as applicable, with respect to recording of financial transactions.

The City's approved financial budgets provide City Administration with the authority to make operational and capital expenditures and make all financial transactions. In addition, operating and capital plans provide the intended direction of Council's strategic vision.

The Property Tax Bylaws are based upon approved financial budgets for the City and give Administration the authority for property assessment and taxation and thereby to collect the revenue that funds the majority of the City's expenditures.

The MGA requires the City to prepare annual financial statements and a financial information return of the municipality, for the immediately preceding year, which are submitted to the Minister along with the auditor's report. An auditor must be appointed by Council.

The General Ledger has been designed to match the activities of the City for each account type – Revenue, Expense, Asset, Liability and Equity. The General Ledger Object Codes have been organized with common descriptions across functional and divisional areas. See Appendix 1.

The recording of the financial activities into the appropriate general ledger accounts becomes the information that is used as a basis for decisions, included but not limited to:

- Council Strategic Vision
- levels of service and priority-based budgeting
- budgets and plans
- long term projections
- quarterly financial reports and variances
- other ad hoc reports.

The goal of a well-managed financial transaction process is to ensure that each completed transaction complies with all of the following seven transaction control standards applicable to the process:

Appropriate: The transaction is directly related to achieving the mission of the City.

Valid: The transaction is allowed by policy, law, contractual agreement, and/or professional standards.

Reasonable: The amount being paid for a product or service, or received in payment for a product or service is fair.

Funded: For payment transactions, sufficient funding exists to pay for the transaction.

Accurately recorded: The transaction amount is consistent with value received, provided, or adjusted for; and is free from accounting coding or arithmetic error.

Supportable: The amount being paid or received for a good or service, or the amount of an adjustment is consistent with supporting documentation, standard, situation, or practice.

Timely recorded: The date associated with the transaction is accurate.

RESPONSIBILITIES

The **Chief Administrative Officer** is responsible for the following:

- Monitoring Function's compliance with the requirements of this directive and conducting a review periodically.

The **Chief Financial Officer** is responsible for the following:

- Serve as the Subject Matter Expert for this policy and overseeing the process of recording of financial transactions.
- Developing and maintaining a chart of accounts that is integrated with the financial system.
- Ensuring that when recording financial transactions, each coding element is used as defined and for the intended purpose and allows for the identification of all elements of the chart of accounts.
- Establishing and maintaining management practices and controls that ensure the quality and integrity of coding of financial transactions.
- Reviewing financial transactions to ensure they are accurately recorded to allow a fair presentation of financial statements that meet the requirements of PSAS.
- Ensuring the chart of accounts allows for financial reporting that is in accordance with the requirements of the Minister, PSAS and the strategic and operating goals of the City, which include Levels of Service and Priority-Based Budgeting.
- Overseeing the implementation and monitoring of this directive in all Functional areas, bringing to the Director's attention any significant difficulties, gaps in performance or compliance issues, developing proposals to address these, and reporting significant performance or compliance issues to the CAO.

The **Functional Directors** are responsible for the following:

- Fundamental financial oversight of their respective function, departments and divisions.
- Being knowledgeable about the purpose and use of function, department and division accounts, the level of risk associated with individual accounts, and the related transaction activity.
- Ensuring all necessary Functional approvals have occurred, that the transactions comply with City policy, and that the business purposes and supporting documentation are adequate.

REFERENCES

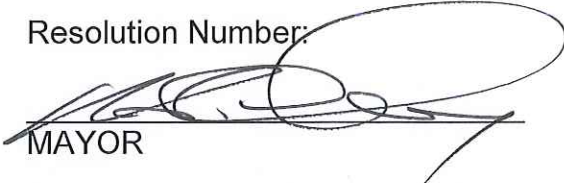
Policy 432 – Accounting for Capital Assets
Policy 434 – Write-off or Cancellation of Accounts Receivable
Policy 446 – Multi-Year Budgeting Policy
Policy 447 – Restricted Surplus Account Policy
Policy 451 – Authorization and Verification of Unbudgeted Expenditures
Policy 453 – Disposal of Surplus Goods Policy
Policy 650 – Asset Management Policy


Financial Framework

For Council Policies:

Adopted by Council: November 17, 2020


Resolution Number:


MAYOR


CAO

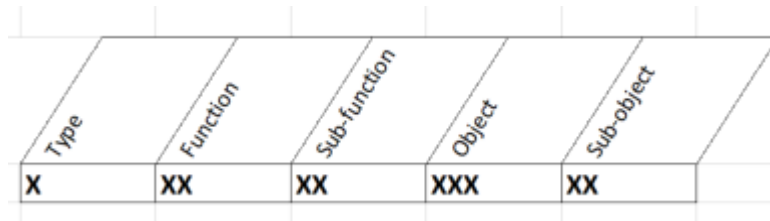
For Administrative Policies:

Approved by CAO:


CAO

APPENDIX 1 – General Ledger Coding Structure

The City's General Ledger code contains 5 segments and is formatted into a string of 10 numbers (X-XX-XX-XXX-XX). The following provides a description of each of the segments.



Example: 2-72-09-519-00

Below is a list of all the Operating and Capital Revenue Object Codes:

OPERATING REVENUE OBJECT CODES - 1

- 111 Residential Property Tax - Public School
- 112 Commercial Property Tax - Public School
- 113 Industrial Property Tax - Municipal
- 114 Farmland Property Tax - Annexation Areas
- 123 Local Improvement Tax
- 125 Special Assessment (Chestermere Lake)
- 129 Other Requirements (Emergency Services)
- 131 Residential - Muni. Supplementary Tax
- 132 Commercial - Municipal Supplementary Tax
- 141 Res.-Muni. Vacant Land Tax-Annex. Area
- 142 Comm.-Muni. Vacant Land Tax-Annex. Area
- 190 Linear Property Tax - Municipal
- 410 Sales Of Goods & Services
- 411 Tax Certificate & Title Search Fees
- 411 Compliance Certificates
- 412 Area Structure & Concept Plans
- 413 Land Use Amend. & Re-Designation
- 414 Safety Codes Council Fees
- 415 Sales Of Materials & Supplies
- 416 Subdivision App. And End. Fees
- 417 Sub. And Dev. Appeal Board Fees
- 510 Penalties & Costs
- 522 Business Licenses & Permits
- 525 Animal Licenses
- 526 Building Permits
- 527 Utility Permits
- 528 Development/Demolition Permits
- 529 Planning Administration Fees
- 531 Fines

- 540 Franchise Fees
- 550 Return On Investments
- 551 Bond Discount/ Premium Amortization
- 552 Interest On Bank Deposits
- 553 Return On Investments (WID Mortgage)
- 563 Rental Of Equipment
- 590 Other Revenues From Own Sources
- 591 Contributions (Gifts)
- 830 Federal Conditional Grants
- 840 Provincial Conditional Grants
- 850 Local Government Conditional Grants
- 920 Drawn From Restricted Surplus
- 940 Contributed From Capital
- 950 Drawn From Equity
- 960 Gain/Loss on Disposal of TCA

CAPITAL REVENUE OBJECT CODES - 5

- 314 Long Term Debt Issued
- 550 Return On Investments
- 570 Insurance Proceeds
- 610 Sale Of Engineering Structures
- 620 Sale Of Buildings
- 630 Sale Of Machinery & Equipment
- 650 Sale Of Vehicles
- 830 Federal Conditional Grants
- 840 Provincial Conditional Grants
- 850 Grant From Other Organizations
- 920 Drawn From Restricted Surplus
- 930 Contributed From Operating
- 970 Developer Offsite Levies
- 990 Other

Below is a list of all the Operating and Capital Expense Object Codes:

EXPENSE OBJECT CODES - 2

- 110 Salaries & Wages
- 119 Overtime
- 131 Pension
- 132 Canada Pension Plan
- 133 Employment Insurance
- 135 Employer Contributions
- 136 Workers' Compensation Board
- 137 Life Insurance
- 139 Health & Wellness
- 142 Employee Recruiting Costs
- 143 Moving Expenses
- 148 Training & Development
- 149 Other Allowances & Other Benefits
- 151 Elected Officials Salaries

152 Non-Taxable Fees For Elected Officials
153 Fees For Election Officers
159 Other Fees For Services (Census)
210 General Administration Service Fee
211 Travel and Subsistence
212 Mileage
215 Postage & Courier
217 Telephone
221 Advertising & Promotion
223 Subscription, Publications & Memberships
231 Accounting & Audit
232 Legal
251 Contracted R & M Eng. Struct.
252 Contracted R & M Buildings
253 Contracted R & M Equip. & Vehicles
262 Rental & Lease Of Buildings
263 Rental & Lease Of Equipment & Vehicles
264 Rental & Lease Of Land
271 Licenses & Permits
274 Insurance Premiums
290 Other Contracted & General Services
335 Purchase from Fed. Gov't Agency (RCMP)
351 Purchases From Other Local Gov't
512 Clothing & Shoes
514 Consumable Or Catered Foods
516 Pharmaceutical & First Aid
519 Other General Goods & Supplies
521 Gas, Oil, Etc.
523 Equipment & Vehicle Parts
524 Consumable Tools
530 Construct. & Maint. Materials
531 Chemicals & Salts
541 Utilities - Water & Sewer
543 Utilities - Gas
543 Utilities - Gas
544 Utilities - Electricity
560 Inventory Adjustments
741 Transfer Payments, Prov. Gov't
742 Designated Industrial Tax Requisition
745 Trf Pmt, Prov. Agency
751 Other Local Governments
755 Other Local Gov. Agency
762 Contributed To Capital Programs
763 Amortization Expense
764 Added To Restricted Surplus
770 Transfer to Individuals & Non Gov't Org
813 Bank Charges
814 Interest Charges
831 Debenture Interest

- 832 Debenture Principal
- 910 Tax Rebates
- 927 Uncollectable Accounts
- 990 Other Transactions
- 991 Contribution of TCA To MCC
- 999 Subsidiary Operations

CAPITAL EXPENSE OBJECT CODES - 6

- 610 Engineered Structures
- 620 Buildings
- 630 Equipment
- 640 Land
- 645 Land Improvements
- 650 Vehicles
- 761 Contributed To Operating
- 764 Additions To Capital Restricted Surplus
- 831 Epcor - Interest During Construction
- 832 Epcor Amortization Payment
- 990 Other Transactions & Adjustments