Financial Management Guide

Introduction

This is a reference manual to guide and explain relevant administrative and financial management procedures for use by community administrative officers.

This manual covers the following topics: administrative, financial, budgeting and coding, and related appendices. Some sections reference policies contained in the *Northern Affairs Manual of Policies and Procedures* (NAMPP) under the Community Documents section of the department's website. Keep this manual in the office for easy reference. The NAMPP is referenced throughout this guide and is another important resource for your use as it contains department policies that apply to communities.

The procedures outlined in this manual represent a means to achieving the objectives of accurate financial reporting and sound financial management. Financial audits determine whether the objectives have been achieved rather than whether specified procedures have been followed.

Other resources that complement this manual are the *Sage 50 Accounting User's Guide* which can be accessed in the Sage 50 Accounting software used by communities through their Help tab and the *Accounting Training Manual* which provides step-by-step instructions on the commonly used Sage 50 Accounting modules and the importance of bank reconciliations.

When revisions to this manual are made, updates will be posted to the Manitoba government website under Community Documents for communities to access and print required copies. Notification will be provided to the community by letter indicating reason for revisions.

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Administrative

Community Administrative Officer Responsibilities

The position of the community administrative officer (CAO) is established per subsection (s.) 132(1) of The Northern Affairs Act (the act). Unincorporated communities establish and appoint a person to this position by resolution and incorporated communities by bylaw per s. 132(2) of the act. Council cannot delegate this power to anyone else per s. 160(2)(b) of the act. A sample CAO bylaw and resolution is provided in Appendix A – Community Administrative Officer (Bylaw and Resolution). The CAO's responsibilities and administrative duties are outlined in the act under s. 134(1) and 134(2) and provided below as a reference. The legal framework of the act does not contemplate a community operating without a council appointed CAO.

The CAO is the administrative head of the community and is responsible for:

- ensuring the policies and programs of the community are implemented
- advising and informing the council on the operation and affairs of the community
- managing and supervising the employees of the community, except as the council may decide otherwise
- carrying out the powers, duties and functions assigned to a CAO by the council or by the act or any other act
- notifying the council if money of the community is spent or invested contrary to a bylaw or resolution of the act or any other act. If the CAO provides notice to council and council does not within a reasonable time rectify the matter, the CAO **must** give the minister written notice of the matter as soon as reasonably possible per s. 135(1) of the act.

The CAO must ensure:

- minutes of every council meeting are made without note or comment
- bylaws and minutes of council meetings and all other records and books of account of the community are kept safe and in accordance with s. 139 of the act
- revenues of the community are managed in accordance with the act
- money belonging to or held by the community is deposited in the bank, credit union, caisse populaire or trust corporation designated by the council
- accounts for authorized expenditures of the community are paid
- accurate records and books of account are kept of the financial affairs of the community
- monthly, the council of the community is provided a financial statement of the community reflecting its financial activities for the preceding month
- any information requested of the community by the minister or department staff is provided within a reasonable time and sent to the Northern Affairs Branch (NAB) of Manitoba Municipal and Northern Relations.

Activities/Yearly Calendar Checklist

Daily:

- √ receive and handle mail
- √ keep filing up-to-date
- √ issue receipts for funds received
- √ pay recurring bills as authorized
- √ complete purchase orders
- √ check data integrity and backup accounting files

Weekly:

- √ make bank deposits, if cash is greater than $200
- √ check data integrity and backup accounting files

Bi-weekly:

- √ process payroll

Monthly:

- √ remit to Receiver General
- √ remit for Municipal Employees Benefits Program (MEBP) (no later than 10 working days after the last pay period)
- √ prepare bank reconciliations for all accounts, including reserves
- √ reconcile allocations
- √ submit reports and meeting minutes to the department, as required per policy or as legislated
- √ prepare cash flow, if required
- √ remit property tax revenue
- √ send out monthly invoices: water, wastewater, solid waste, pumpouts, etc.
- √ follow-up on accounts receivables/payables
- √ receive reports from fire department, council employees/council members attending meetings/training/workshops, etc.
- √ check data integrity and backup accounting files (store off site)
- √ prepare financial statements

Quarterly:

- √ submit financial statements and copy of bank portfolio statement to department
- √ submit payroll report to MEBP administrator

Annually:

- √ conduct physical inventory count (recommend this be done in conjunction with September infrastructure maintenance audit)
- √ prepare year-end financial statements
- √ complete inventory count requirement for year-end financial statements, ex: gravel, fuel, chemicals
- √ submit copies of T4's and T4 summary to MEBP administrator

Council Meeting Preparation:

- √ prepare and distribute agenda and supporting documents in a timely manner
- √ distribute minutes from previous meeting
- √ prepare and present current financial statements (includes bank reconciliation)
- √ prepare list of outstanding accounts payables/receivables
- √ prepare correspondence

Following Council Meetings:

- √ prepare minutes
- √ pay approved bills
- √ prepare certified resolutions and forward as required
- √ prepare correspondence replies, etc. as directed by council and forward as required

Important dates are highlighted in the yearly community calendar provided in Appendix F2-A – Reporting Requirements and Community Calendar of the NAMPP and as noted below.

January:
- √ prepare new TD1's (federal and provincial)
- √ file for goods and services tax (GST) refund, if applicable
- √ file community management plan (CMP) with the department by the 31st
- √ appoint auditor for current fiscal year by the 31st per s. 153(1) of the act and advise minister of appointment (in applicable years)
- √ submit third quarter financial statements and copy of bank portfolio statement by the 30th (Oct. to Dec.)
- √ submit quarterly payroll report to MEBP administrator
- √ ensure senior election official is notified of upcoming regular election (in applicable years) and council has appointed their election officials by bylaw
- √ submit annual Waste Reduction and Recycling Support (WRARS) levy payment to Manitoba Environment and Climate Change by the 31st

February:
- √ issue T4's no later than last day of this month
- √ submit copies of T4's and T4 summary to MEBP administrator
- √ analyze firefighter payments over $1,000
- √ complete Workers Compensation Board (WCB) annual return
- √ post tenders for next fiscal year

March:
- √ renew employee job descriptions for next fiscal year
- √ pass resolution for recurring bills, signing/purchasing authority
- √ set rates for hall rental, water and wastewater/solid waste, pumpouts, etc.
- √ award contract(s) for tenders posted in February
- √ ensure all bank deposits are done by last day of the month for year-end
- √ complete inventory count requirement for year-end financial statements
- √ prepare year-end entries (includes amortization)
- √ submit community emergency plan to department by the 31st
- √ submit bill backs to department for the fiscal year

April:
- √ submit year-end financial statements and copy of bank portfolio statement by the 30th
- √ file for GST refund, if applicable
- √ ensure no balances remain in the unallocated program report
- √ receipt of tangible capital asset (TCA) entries from department by the 15th **(for incorporated communities only)**
- √ prepare schedules for auditor (including honorariums, other payment reports)
- √ review accounts receivable (A/R) for uncollectible accounts for allowance for doubtful accounts year-end entry
- √ submit quarterly payroll report to MEBP administrator

May: √ review the maintenance cost analysis (MCA) funding and request eligible adjustments for next fiscal year by the 30th

June: √ send financial records to audit firm
√ install Sage 50 Accounting payroll updates, if applicable
√ submit copy of T4 summary page and all T4 slips to MEBP administrator
√ receipt of revenue confirmations from department by the 15th

July: √ file for GST refund, if applicable
√ submit first quarter financial statements and copy of bank portfolio statement by the 30th (April to June)
√ submit quarterly payroll report to MEBP administrator
√ complete WCB revisions for estimates

August: √ follow-up with auditor for review of draft auditor's report
√ schedule exit audit meeting with auditor and notify your municipal development consultant (MDC) of the NAB regional office

September: √ initiate pre-planning of CMP
√ conduct infrastructure maintenance audit (recommend the annual physical inventory be conducted in conjunction)
√ start to update community inventory report as sent by the department on the 1st due November 1 to the department (inventory day is second Wednesday)
√ post prior year-end and adjusting entries and reversing entries in new year, if applicable
√ ensure trial balance report balances to auditor's trial balance for prior year-end
√ submit deficit recovery plan for approval to department by the 30th, if operating deficit incurred per auditor's report

October: √ file for GST refund, if applicable
√ conduct regular election (in applicable years on the fourth Wednesday)
√ submit second quarter financial statements and copy of bank portfolio statement by the 30th (July to Sept.)
√ submit quarterly payroll report to MEBP administrator
√ ensure vehicle registration renewals are done by month-end

November: √ carry out needs assessment by both the department and community
√ submit updated community inventory report by the 1st to the department
√ ensure newly elected council members file their oath of office form and statement of assets and interests (conflict of interest form) prior to entering on the duties of a council member (in applicable years) and forward **a copy only** (file the original in council files) of the conflict of interest forms to the department
√ conduct or arrange for a council orientation at a regular council meeting (in applicable election year and following a by-election)
√ review council's rules of procedure and organizational structure documents and approve any amendments
√ prepare draft CMP for council review

December: √ order T4's and T4A's from Canada Revenue Agency (CRA)
√ send request for proposals to audit firms (in applicable years)

√ prepare for public meeting to present CMP to residents
√ install Sage 50 Accounting payroll updates, if applicable

New Fiscal Year Procedures

Definition
Fiscal year commences April 1 and ends March 31.

Request Year-end Approvals
See Policy F2 – Local Government Services Program of the NAMPP for more detail.

Audit Preparation
The community, department and auditor all have a role to play in ensuring the legislated deadline of August 31 for receipt of the auditor's report is met. The auditor will send the community a written request of the community records required to complete the audit at least four weeks prior to the date the records are required. The department will provide the community the revenue confirmations by June 15. Be prepared to send the following to the auditor by June 1: backup copy of Sage 50 Accounting files (ensure last year's adjusting entries have been posted), year-end financial statements, honorariums and other payment reports, all files for the year (including supplier invoices and purchase orders, monthly bank statements and cancelled cheques, receipts and deposit books, MEBP files, receiver general remittances – payroll and GST, council meeting minutes and resolutions), copies of all current year invoices, bank statements and receipts for April, May and June and any other records requested by the auditor.

Always respond to an auditor's inquiries or requests for additional information in a timely manner. The auditor will provide a draft audit report, usually late July to early August, for review in advance of the required exit interview. Follow-up with the auditor in mid-July regarding the auditor's report to meet the August 31 deadline. In early August, follow-up with the auditor for the audit exit interview and notify your MDC of the date. The MDC will review the draft audit report for changes with the CAO and report changes to the auditor and ensure they are reflected in the final audit report.

Filing
When all year-end procedures are completed, archive old year files and start new year files. Files need to be retained as specified in the Community Records Retention regulation, as referenced later in this guide in more detail under records retention.

Tenders
Where council tenders for a community service, post tender for a minimum of 10 days during the latter part of February, open tenders during the last meeting in March of each year and award. Examples of services that may be tendered include solid waste pickup, waste site maintenance or custodial service. Tender notices should include terms of work/service required, equipment (if applicable), deadline of tenders, when and where they can submit.

Employee Job Descriptions
During the last meeting in March of each year, council should review all employee job descriptions and approve any changes by resolution. This would include:

- CAO/assistant CAO
- public works employee(s)
- water and wastewater delivery/operator(s)
- landfill operator
- recreation director
- others required by each council

Approvals
At the last few meetings of the fiscal year, council should approve the following for the new fiscal year:

1. Payment of recurring expenses (regular salaries, hydro, phone, minister of Finance, Receiver General, etc.).
2. Set pay rates for all community employees, including a casual labour rate.
3. Approve authority for signing purchase orders and setting the maximum amount for purchase orders.
4. Set rates for hall rental (and rental of any other business or equipment operated by council), water rates, wastewater pumpouts and any other services provided by council.
5. Review volunteer firefighters list and approve wage rates.

Meeting Management

Effective meetings require proper planning and a purpose. Every meeting requires an agenda and an assigned chair to conduct the meeting accordingly. Normally, the mayor chairs all meetings, but in their absence a designate must be chosen. More information on the role of the chair is provided in Appendix B – Role of Chair. The chair should follow parliamentary procedures at each meeting to maintain order and control. A good resource on parliamentary procedures available for purchase is *Robert's Rules of Order*. Council and all committees of council must cause minutes of their meetings to be kept per s. 120 of the act.

Preparation of the Agenda
The CAO is responsible for preparing and distributing the agenda prior to the meeting. An agenda is a list of items to be addressed by council and is necessary for the orderly and effective conduct of the meeting. Agenda approval should be the second item on the agenda. Once the agenda is approved (added to or deleted from) at the opening of the meeting, unanimous consent of the council is required to amend it during the meeting.

Consider the following in preparation of the agenda:

- Put the start and finish time on the agenda.
- Avoid listing 'Any Other Business' on the agenda, as it is an invitation to waste time. Unexpected items should be added to the agenda at the beginning of the meeting.
- Be specific when outlining agenda items rather than stating topics. For example, use 'Approve previous meeting minutes' as opposed to 'Minutes'. The meeting will be simplified and shorter.

Examples of an agenda for a regular and special meeting are provided in Appendix C – Agenda (Regular and Special Meeting).

Meeting Preparation

Prepare and distribute in a timely manner to council the following (preferably 48 hours prior to the meeting, as this allows council members ample time to plan and prepare for the meeting):

- proposed agenda
- minutes of last meeting(s) for approval and signature of the chair (resolution of approval should note date of meeting(s) being approved)
- background information on all agenda items (otherwise it will be difficult to discuss them)
- up-to-date financial statements (including bank reconciliation) for review and approval (resolution of approval should note date of financial statements being approved)
- up-to-date list of accounts receivables/payables for review and approval
- list of recurring accounts paid since last meeting for approval
- all invoices (non-recurring) received since last meeting for review and approval (or rejection) of payment
- correspondence received since last meeting (can include substantive emails and attachments)
- information on any ongoing projects, etc. and any other information previously requested by council

Duties at Council Meetings

- Ensure the chair establishes a quorum before proceeding. A quorum is the majority of the council members, or if a position is vacant, a majority of the remaining members.
- Upon approval of the minutes by resolution, have the chair of the meeting sign the minutes.
- Record minutes of the meeting (usually in draft form).
- Record accurately all decisions made by council in resolution form. Read the written resolution back to council prior to council's vote on the resolution. No council member can individually make decisions for council; motions must be moved, seconded and voted on. Note in the minutes whether the resolution has been carried or defeated by council as a whole. Carried resolutions become a legal binding action of council. Decisions must be made by a majority of council members present at the meeting.
- Note all decisions of council that require follow-up, ex: correspondence to be handled, information to be obtained, etc.
- Assist council in decision making by being familiar with the governing provincial and federal legislation (acts and regulations) and policies (department and community) under which councils operate (ex: the act, Council Compensation regulation, NAMPP, community respectful workplace and harassment prevention policy) and provide well-researched reports containing options and a recommended course of action to address issues.

Duties Following Council Meetings

- Prepare the minutes in final from draft made at the meeting. The minutes should correspond to the agenda, even though at the actual meeting the order of business was

changed. For example, a delegation may be late in arriving and although they are third on the agenda, they do not make their presentation until the end of the meeting. In the minutes, this delegation would still be the third item.

- Prepare and have the chair sign (if not done at the meeting) any certified resolutions arising from meetings. Submit these to persons or agencies indicated.
- Pay the accounts approved at the meeting.
- Handle any correspondence, as requested at the meeting.
- Gather any information requested for the next meeting.
- File a copy of each resolution with the department as required under s. 177(1) of the act for unincorporated communities.
- Forward a copy of the signed council meeting minutes to the department within 14 days of the council meeting at which they were approved and post in a public place in the community, such as the council office. These can also be posted on the community website, if applicable.

Contents of Minutes

Minutes should be accurate, legible and concise. They are the only record of council business and will be required for constant referral. A council may act only by resolution or by bylaw per s. 107(1) of the act. You must therefore ensure:

- Minutes contain all items of the agenda, in the order as shown on the agenda.
- Resolutions are recorded exactly as read and voted on by council.
- Where no decision has been arrived at on an issue at the meeting, a statement is recorded that the topic has been discussed followed by one of these statements 'No decision' or 'Tabled to the next council meeting'. No details of the discussion should appear in the minutes.
- Only decisions of council as a whole are recorded in the form of resolutions. Unless specifically requested by a council member, no opinions of individual council members should be recorded in the minutes.
- When a specific council member is excused from discussion and/or vote on a specific issue because of conflict of interest, record in the minutes that this council member declared a conflict and refrained from discussion or vote. This council member must leave the meeting before discussion on the item begins, until a resolution is passed or defeated. See Policy G3 – Community Elected Official Providing Services to the Community on a Contracted or Purchase Basis and Policy G9 – Conflict of Interest of the NAMPP for further details.
- The following are part of and attached to the minutes: list of payments made since the last meeting, accounts payables/receivables list and approved monthly financial statements (including bank reconciliation).
- After being adopted and signed at the next regular meeting, file in a folder for minutes only and store in a current year file.

An example of regular meeting minutes is provided in Appendix D – Regular Meeting Minutes.

Resolutions

If a council is required or authorized under the act or under a bylaw to do something without specifying that it be done by bylaw, the council may do it by resolution. A resolution of council is not valid unless it is passed at a council meeting per s. 108 of the act.

Definition
Resolutions are the official and legal decision of council, duly approved by the majority of council members present at a meeting.

Resolution Contents
Resolutions contain the following:

a) number (ex: Resolution **#1-25/26**), starting at one at the beginning of the fiscal year, including a reference to the current fiscal year, continuing numerically until year-end
b) date the resolution was made (ex: meeting date)
c) names of persons making the resolution (the **MOVED BY**, **SECONDED BY** portion)
d) preamble stating reason for the resolution (the **WHEREAS** portion)
e) the operative clause stating resolution itself (the **THEREFORE BE IT RESOLVED** portion)
f) decision (**CARRIED** or **DEFEATED**)

Generally, once the motion has been moved and seconded, discussion on both the pros and cons will occur. Once all council members have spoken on the motion, a vote is called.

In the event a council member wishes to have a vote recorded, they must make the request immediately after the vote is taken. All council members' votes are then recorded including any abstentions per s. 122(2) of the act.

In the minutes, the resolution is followed by the word CARRIED or DEFEATED. CARRIED indicates the resolution is approved by the majority of council members that voted and is legally binding; otherwise the motion is DEFEATED.

For unincorporated communities, the CAO must ensure a copy of each resolution council passes is filed with the minister per s. 177(1) of the act. A resolution filed with the minister comes into force 14 days after the day it is filed per s. 177(2) of the act, unless the resolution provides for a later date. The minister may at anytime disallow a resolution filed, in whole or in part, by giving written notice to the council and the disallowed part ceases to have effect and is deemed to be repealed.

Certified Resolutions
Resolutions, which affect or need the approval of persons or agencies outside of council, need to be certified and distributed to those persons or agencies. Certified resolutions, copied exactly from the minutes on a resolution form, are certified by both the chair and CAO. An example is provided in Appendix E – Certified Resolution. File copies of the certified resolution in a certified resolutions folder.

Resolution Index

Council resolutions are documented sequentially and are typically catalogued by the CAO in an official resolution index and can be organized by topic, date or resolution number for tracking and quick reference without having to search through entire meeting minutes. A sample is provided in Appendix E.1 – Resolution Index. This format works well as it allows staff to sort by resolution number, year, category, date or subject, making retrieval during audits, records searches and council reviews much easier.

Bylaws

A council that is expressly required or authorized under a bylaw or the act or any other act to do something by bylaw may do it only by bylaw. Anything a council does by bylaw that may be done by resolution is not invalid because the council does it by bylaw.

Introduction

Under the act per s. 25, the minister may delegate bylaw making authority to unincorporated community councils by regulation. The Procedures and Delegation of Bylaw Making Powers Regulation (Communities that are not Incorporated) identifies general areas in which councils may enact a bylaw.

A list of bylaws a community has the delegated authority to enact can be found in Appendix F – List of Bylaws. If a bylaw is required in an area with no delegated authority, the minister must make the bylaw on behalf of the community.

Requirements

To be found valid and enforceable in the courts, a bylaw must:

- have legal authority
    - councils may only enact bylaws under the delegated authority of the minister
    - incorporated communities enact bylaws under their own authority
- be enacted by three readings at properly convened council meetings with a quorum of the council present and authenticated in the manner required
    - councils operating under the delegated authority of the minister must have the bylaw authenticated by the department registrar of the Bylaw Registry Office
    - incorporated communities are required to have the bylaw sealed and signed by the mayor or another person authorized by council at the meeting at which the final reading of the bylaw took place per s. 111 of the act
- be within the power or authority of the community and must not conflict with federal or provincial legislation
- be made in the interest and benefit of the residents of the community
- be reasonable and not discriminatory
- be clear in meaning
- meet all required procedural conditions before enactment
- be proclaimed to the public

A bylaw would normally become effective on the registration date, but a bylaw may include a clause specifying it takes effect on a specified date, some time after the enactment of the

bylaw by council. For unincorporated communities, a bylaw filed with the minister comes into force 30 days after the day it is filed per s. 176(2).

Council has the responsibility to ensure these requirements are met:

- fully consider all aspects of imposing restrictions on the rights of individuals or requiring individuals to take specific actions, for the common good of the community
- fully consider the protection of individual rights, so discrimination does not occur
- ensure the proposed actions of the bylaw are within council's authority to carry out
- consider how the bylaw will be enforced
- hold a public meeting, where required to do so by the act, to provide an opportunity for the public to make representations for or against the bylaw and to consider the effects of the comments given

Bylaw Standards

Bylaws are prepared in a formal format, considering they become the permanent laws of the community. Community residents will be able to recognize the document as a bylaw of the community as it will contain the following standards:

a) Number, **Bylaw No. 1-2026**. Generally, numbered consecutively and include a reference to the year of enactment. The department registrar through the Bylaw Registry Office assigns a bylaw number for all communities (except incorporated communities), so unincorporated communities are to leave the bylaw number blank when drafting the bylaw.
b) **Title**, with an introduction identifying the general purpose in simple and concise form.
c) A **preamble** citing (or quoting) the authority under which the bylaw is being enacted. This can be in full quotation or by reference to the relevant legislation.
d) The **enacting** portion begins with a phrase such as:
   "NOW THEREFORE, BE IT ENACTED as a bylaw of the [full name] Community Council duly assembled as follows:"
e) The **enacting** clauses follow in sequence according to this order:
   i) General provisions
   ii) Special provisions
   iii) Exceptions
   iv) Enforcement
   v) Penalties
   vi) Repeal of former bylaws (where applicable)
   vii) Closing (signature block)

Bylaw Process

Refer to Policy G10 – Bylaw Procedure of the NAMPP for more details and guidance on the bylaw process. Be familiar with the general bylaw procedures in order to give good advice to council and ensure the bylaw is properly enacted as legislated and in accordance to policy.

- Three separate readings of a bylaw is required and an amendment to the content of the bylaw can be made at any reading. No more than two readings of a bylaw may be given at one council meeting.
- Public participation is an important part of the process. Be aware of how, when and where public participation is required by legislation. This is to ensure community residents know when bylaws are being enacted. Public notice informs residents of

their opportunity to learn about the bylaw and make representations on their concerns about the bylaw.
- In drafting a bylaw for council, it is your responsibility to know what government approvals are required for the bylaw and when they are required in the process. Ensure the bylaw is not contradictory to federal or provincial legislation.

The department has in draft form most of the applicable bylaws. Contact your MDC for the most current electronic version or advice on other sources to obtain similar bylaws.

The CAO must forward a copy of the Election Officials Appointment Bylaw passed to the principal electoral officer per s. 9(2) of the Community Councils Election regulation.

Promulgation
Promulgation is the name given to the process of advising the public of the enactment of a bylaw and the date it comes into effect. Copies of the bylaw must be posted in the community centre, community offices and at least two other places for two weeks. There is a specific form for the notice to be given to residents outlining their opportunity to use a legal procedure, called quashing, or having the bylaw declared totally or partially invalid, if they feel that the bylaw unfairly removes some of their rights.

Organizational Structure
Unincorporated communities may establish the organizational structure for the community to establish one or more council committees and other bodies of the council and define their duties and functions and establish the manner of appointment of persons to council committees and other bodies per s. 125(1) of the act. Under s. 124 of the act, a council may appoint a councillor as deputy mayor to act in place of the mayor when the mayor is unable to carry out the powers, duties and functions of the mayor. An incorporated community must establish its organizational structure by bylaw and review it at least once during its term of office per s. 125(2) of the act. A sample bylaw is provided in Appendix G – Sample Organizational Bylaw.

Rules of Procedure
Unincorporated communities must adopt rules of procedure and review its procedures at least once every four years. An incorporated community must pass a Procedures Bylaw and review it at least once during its term of office. Samples of both are provided in Appendix H – Sample Procedures Bylaw and Sample Rules of Procedure (Unincorporated Communities). Council must govern itself in accordance with the procedures it adopts.

As per s. 126(3) of the act, the procedures adopted by council must provide for:
- regular meetings of council, and the day, time and place of the meetings
- the type and amount of notice to be given of regular meetings of the council
- the procedure to be followed and type and amount of notice to be given to change the day, time or place of a regular meeting of the council
- rules respecting the conduct of council meetings and public participation at council meetings
- the type and amount of notice to be given of a special meeting of the council

- time within which a special meeting of the council requested must be called by the mayor and must take place

Council may provide for other matters in its procedures deemed necessary or desirable, including the conduct of meetings of council committees. A sample council member's code of conduct is provided in Appendix H – Sample Council Member's Code of Conduct. The purpose of such a code is to establish the standards and values that council members are expected to uphold in carrying out their duties under the act and to provide clear guidelines on acceptable behaviour in dealing with each other, employees and citizens. These are in addition to other rules already in place for council members, for example conflict of interest.

Filing

A good filing system increases office efficiency and ensures the required information is easily retrievable with a minimum of time and effort. Filing is one of the most neglected aspects of administration. Care, thought and time put into a well-planned filing system will be to your advantage. In order for this to occur, a filing index is mandatory and should be kept current. A digital filing key should be developed for computer files as well with backups made monthly.

The four different systems of filing that are commonly used are as follows:

- **Alphabetical** is where different subjects are filed in alphabetical order. This is appropriate for customers or vendors (suppliers).
- **Subject** is appropriate where the subject of the correspondence or records is most important, ex: grants, roads, government departments, etc. Use actual names relating to the subject matter.
- **Geographical** is appropriate in relation to matters involving land and properties. All units of land in the jurisdiction may be listed in an appropriate order and matters pertaining to each unit would be filed under its heading.
- **Numerical** is used to list unrelated information. Each file has a name and an index number.

Depending on the size and scope of council operations, the filing system will probably be a combination of two or three of the different systems. Decide on the combination that best suits your needs, based on the amount of correspondence and records that would be filed under each of the four systems. An example of a combination numeric and subject filing system is provided in Appendix I – Combination Numeric and Subject Filing System.

Filing procedures:

- set aside a certain time just for filing – filing could be done at the end of each task, daily or weekly, depending on the amount of correspondence to be filed
- mark each document with a file number and coloured or circled for easy identification
- sort and arrange material in convenient order – items such as bylaws, inventories, meeting minutes and resolutions must be filed in a permanent section of the filing system
- remove paper clips since they are bulky and catch papers
- staple matching material together, with the response on top
- file the material with the latest date on top

- bulky articles, such as thick reports, booklets, catalogues, etc. should be filed in a separate cabinet
- files must remain in the office, unless requested for audit purposes only – make sure to keep a record of the files that are removed – if files are to be removed for any other purpose, it should be copies only; the originals should remain in the office
- at the start of each fiscal year, open new current year files and remove and archive old year files – items in the permanent section of the filing system must remain
- files of an ongoing nature should remain in current files, ex: non-expired agreements, subdivisions, etc.
- refer to the topic on records retention to determine how long specific files must be kept in accordance with the legislation

Be familiar with the requirements under The Freedom of Information and Protection of Privacy Act (FIPPA) when accessing and securing files. Council may receive a request for information under this act and any such requests must be handled in accordance with that act. The department's FIPPA coordinator can assist the community with this process.

Receiving and Handling Mail

The CAO is responsible for handling and opening all incoming mail. Where there is no local post office, council should make a policy on mail pick-up procedures. It is recommended that an incoming mail log be kept to show the disposition for each item. Where council has assigned portfolios and an item pertains to a particular portfolio, a copy (not the original) should be passed on to the applicable council member.

All incoming correspondence must be date stamped when received. Respond promptly to routine matters. If correspondence requires council's attention, acknowledge same advising the writer when a reply might be expected. Correspondence is presented to council at the next regular meeting, by copy at least 48 hours prior to the meeting. Replies are per council decisions and direction.

Records Retention

A community must retain community records for at least the minimum retention period specified in the Community Records Retention regulation. The following outlines the length of time various records must be kept and destroyed as outlined in the regulation.

Documents and records to be retained permanently:

- audit reports
- final assessment rolls (up to 1982)
- cemetery site plans/plot register/index
- committee reports
- dispositions
- general ledgers
- inventories
- minutes of council
- original bylaws
- environmental permits/licenses
- resolutions
- tax collector rolls
- tax sales – warrant for sale
- workplace safety and health (WSH) minutes and reports

Documents and records that may be destroyed after the lapse of a period of 10 years:

- subsidiary ledgers
- general journals
- final assessment rolls (1983 and following)

Documents and records that may be destroyed after the lapse of a period of six years:

- disclosure of assets and interests
- payroll time sheets (bi-weekly)
- employee files (after a dismissal)
- payroll administration
- litigation (after decision)
- tax certificates
- tax collection receipts
- accounts payable and receivable
- banking
- agreements (after term expires)
- land support files (after bylaw repealed)
- land zoning files (after bylaw repealed)
- subdivision files (after plan registration)
- investments (past term)

Documents and records that may be destroyed after the lapse of one year:

- board of revision (after final decision)
- competition and hiring
- conditional use/variation orders (after ceases)
- copies of burial or exhumation permits
- employee files (after cessation)
- insurance claims (after resolution)
- monthly financial statements
- preliminary assessment rolls
- tax notices
- tax sales – general (after redemption or registration of title)

Documents and records that may be destroyed after the periods and subject to conditions indicated:

- election records – six months after election, unless court application filed
- official oaths of council members – expiration of term
- general administration – retain as required
- capital projects general – project completion plus one year
- insurance policies – term plus one year
- licenses – term plus one year
- loans and cancelled notes – term plus one year
- personnel administration – two years or until suspended
- tax roll maintenance – two years
- budget working papers – three years
- grievance records – three years after final decision
- routine correspondence – three years
- annual financial statement – five years
- operations activities – five years
- WSH information system – 30 years
- MEBP and non-MEBP payroll records – 60 years
- equipment – lifetime of unit
- capital projects as builts, facility operation and maintenance (O&M) – lifetime of facility
- permits – lifetime of facility plus one year
- site monitoring – until site closed and requirements cease

- zoning memos/certificates of non-conformity – lifetime of structure
- administrative policies and procedures – until superseded

Records to be Provided on Request

Under s. 139(3) of the act, a CAO must on the request of a person and within a reasonable time, provide access to any of the following records that the community is required by regulation to keep at the community office:

- assessment rolls
- monthly and annual financial statements of the community
- reports of the auditor
- minutes of meetings of council and council committees, except the minutes for any part of a committee meeting closed under s. 129(3) (closed meetings) of the act
- report to show payments to members prepared under s. 131(7) of the act
- bylaws and resolutions of the council and resolutions of council committees

Sharing of information is crucial among council members and community staff as well as with the department. The minister may direct a community to provide a copy of any document or information in its possession within a specified time and the community must comply with the direction and provide the copy to the minister without charge per s. 178(1) and (2) of the act.

Financial

Accounting System

Financial statements are to be prepared using Sage 50 Accounting and selecting the accrual basis of accounting option. This is the most commonly used accounting method which reports income when earned and expenses when incurred, as opposed to cash basis accounting which reports income when received and expenses when paid. Program accounting is used to accumulate costs by category. The department requires at least the following programs be set up (do not combine any program(s) listed below):

- Administration
- Public Works
- Water
- Wastewater
- Solid Waste
- Recreation
- Fire
- Public Safety
- Emergency Management

These programs concur with the Local Government Services Program (LGSP) funding provided to communities annually by the department. Details on LGSP funding, is provided under Policy F1 – Funding Formula Overview of the NAMPP. New allocation programs must be created for all conditional funding from outside sources (ex: Career Start, Green Team) or to track costs for a particular program/project. An example of combining programs which is **not permitted** would be using a broad program name such as Protective Services to allocate Fire and Public Safety program expenses or Environmental Services to allocate Water and Wastewater program expenses.

Allocations

As a check, reconcile program expenditures to total expenditures monthly. It is important to ensure all expenses are allocated to the correct program, ex: Fire, Water, Wastewater, etc. Councils need to be able to review program information to determine how much a program area is costing. This can only be done if the allocations are up-to-date and accurate.

A quick check on program allocations can be done on a monthly basis. From the reports button, select *journal entries* and then *all.* Specify the dates to be checked (ex: Aug. 1 to Aug. 31). Make sure the *show program allocation* button is turned on. Select *ok*. The system will now show all entries made for the month, including the allocations. Print and review the entries for accuracy. If you notice a mistake (either an incorrect allocation or an expense has not been allocated) you can now make the necessary adjustment.

Accounting Backups

In order to ensure data is preserved, the following backup procedures onto memory storage devices are recommended:

1. Label five devices each with a different day of the week (Monday to Friday).
2. Backup data as per software instructions daily, using the appropriately labeled device for that day.
3. Label a device Monthly.
4. At the end of each month, backup data and store this device off site.

It is good practice in order to safeguard unwanted access to the council computer and to protect community data that the CAO assign a password. Never give out the password to anyone. For emergency purposes, note it in a sealed envelope and lock it in a filing cabinet.

Financial Statements

The department requires the following documents annually:

- Statement of Financial Position (Balance Sheet) – Appendix J
- Statement of Operations (Income Statement) – Appendix K
- Statement of Cash Flows – Appendix L
- Project Reports for all Programs – Appendix M
- Schedule of Locally Generated Revenue – Appendix N
- Schedule of Reserves – Appendix O
- Schedule of Tangible Capital Assets – Appendix P **(incorporated communities only)**
- Aged Accounts Payable Listing
- Aged Accounts Receivable Listing

Appendices J to M contain examples of these statements generated using sample data. The example provided in Appendix M – Project Report for Administration Program is for the administration program only. Appendices N to P contain examples of completed schedules for locally generated revenue, reserves and TCAs, using sample data. The electronic version of the blank forms contain all the necessary calculation formulas. To protect the formulas, it is recommended these forms be copied to a hard drive prior to use and retained as a master copy.

All year-end financial statements and any other financial information requested by the minister are to be submitted to the department **no later than April 30** of each year per s. 152(4) of the act and monthly statements as required during the year. Audited year-end financial statements are **due by August 31** each year per s. 156(1) of the act.

The CAO is responsible for correct reporting and to make council aware of the financial position on a continuous basis. A thorough understanding of these statements is required to provide proper advice and interpretation to council. Council has overall accountability for the financial position of the community and must ensure the community's finances are responsibly managed.

Revenue

For an item to be considered revenue it must be earned. Therefore, GST refunds, recovery of overpayments/advances and all reimbursements are **not** revenue items. When these non-revenue items are received, reduce the related expenditure/asset by that amount. For example, if the reimbursement is for:

- travel, then reduce the travel expenditure account
- staff training, then reduce the training expenditure account

Revenue is considered earned when goods and services have been provided or the grant conditions have been met.

Department Funding
Once funding is finalized through the Manitoba government estimates process, the department will forward each community its annual Local Government Services Program (LGSP) funding schedule accompanied by a letter to council outlining the total of all grant amounts. Upon release of any funding from the department, the department will identify on the payment notice whether the payment is for:

- operating funding
- reserve funding
- capital funding
- supplemental funding (if as a result of an invoice, the invoice number will be recorded on payment notice)
- municipal operating grant
- non-department funding such as municipal taxes (each to be specified on payment notice)
- any amount(s) withheld, specifying the reason(s)

The process for recording revenue from the department for LGSP funding is as follows:

- upon receipt of the funding schedule, set up a receivable for the operating portion of the LGSP funding amount
- upon receipt of the reserve funding payment, allocate the funds received to the appropriate reserve liability accounts

Accounts Receivable
When revenue is recorded and the funds have not yet been received, the debit is to A/R. Policy F5 – Community Accounts Receivable Write-off of the NAMPP outlines the procedures to collect and write-off accounts other than property taxes. All possible avenues for collection must be attempted before accounts can be written off and **only** as approved by the department.

Locally Generated Revenue
All locally generated revenue (LGR) needs to be reported in the proper section of the financial statement, titled User Fees and Other Revenue to assist in tracking the community's contribution percentage requirement. This will also provide better representation of the financial position of the community and assist council with decision making. It is important you **do not** code revenues under this section that are not locally generated funds. For further detail on LGR, see Policy F2 – Local Government Services Program of the NAMPP.

LGR is defined as:

- community revenue from service fees and other revenues
- the net revenue of property taxes, fees in lieu of taxes
- the net revenue of a community operation

Service fees relate to community services provided such as water delivery, wastewater pumpouts, water and wastewater fees for piped systems, solid waste pickup, etc. Where a water and wastewater system exists, it is recommended the fees reflect the higher level of service received by the residents with the goal of full cost recovery.

Other revenues include user fees (ex: rentals for equipment and buildings), photocopy/fax charges, community licence fees, interest revenue, gifts/donations, fine option program from Manitoba Justice, proceeds from the sale of assets and fundraising revenue. Note: Expenses attributable to fundraising activity should be allocated to a fundraising program. Separate programs may be set up where desirable.

Property taxes collected based on the tax rates set in the Tax Rates regulation for unincorporated communities and in the Property Tax Bylaw for incorporated communities. If the community has taxes in arrears, council should take appropriate action to pursue collection. This will benefit the community by increasing the LGR and enable council to meet or exceed the minimum community contribution requirement under LGSP funding and support delivery of community programs and services.

Community operations are services provided by council that are **not** funded by the department. These may include for example, trailer court, park or ferry operation. Community operations with net revenue are considered LGR. Council should seriously consider the risk of an activity losing money prior to approving community involvement.

Expenditures

Overview

Expenditures are costs to council for goods and services received. The expenditure process has the following stages:

1. Expenditure (Purchasing) Approval
2. Receipt of Goods or Services
3. Payment Approval
4. Payment (Issuing Cheques)
    - Prohibited (E-transfer Payment)

1. Expenditure (Purchasing) Approval

Council has sole authority to commit council to an expenditure, so only council can approve an expenditure, unless it has by resolution delegated this authority. The person(s) who has (have) been delegated expenditure approval, use this authority by completing a purchase order (PO). POs are used to provide:

- control over purchases
- a record of commitments from council funds

Council should, by resolution at the last meeting in March, delegate who and what limits person(s) may purchase goods or services on behalf of council for the upcoming fiscal year. All purchases over and above the set limits require a separate resolution from council. Councils have PO books and these are to be used for all purchases made by community employees who have been delegated purchasing authority.

The first copy of the PO is provided to the CAO to keep in a file awaiting the invoice. Verify that an authorized person signed the PO. The second copy should remain in the PO book in numerical order. If a PO is cancelled the original should be filed with the first copy. A PO should be pre-numbered and include: name and address of supplier, name and billing address of purchaser, quantity/description/price of items purchased, authorized signing authority, minimum of two copies (preferably three) and include account code and program.

Monitor POs issued and refer any POs not meeting the guidelines to council. Review the outstanding PO file periodically to ensure the goods and invoices have been received and follow-up on long outstanding PO's.

2. Receipt of Goods or Services

The individual who receives the goods or services should stamp 'received' and sign the packing slip/invoice.

3. Payment Approval

Match the invoice details with the packing slip, and the first copy of the PO and check that the quantity, description and prices on the invoice, packing slip and PO match.

After the invoices have been checked, the first copy of the PO and packing slip is attached. The accounts payable listing is presented to council for payment approval. In addition, the list of cheques issued since the last council meeting is presented to council for review.

4. Payment (Issuing Cheques)
For non-recurring payments, record cheque number on the list of payables approved for payment by council, which is attached to the minutes. Record cheque number, journal entry and payment approval authority on the invoice. When cancelling a cheque, reverse the cheque, mark **void** and file the cheque in a Void Cheque file or with the returned cheques in the same month as the cheque was written.

As good management practice, ensure cheque recipients are not an authorizing signature on the cheque and **do not** pre-sign cheques. Before signing a cheque, delegated signing officers must ensure there is evidence that the transaction for which payment is being made is complete, accurate and authorized. See Policy F6 – Financial Administration Issues of the NAMPP on financial administrative practices, including issuing cheques.

Evidence, which forms an appropriate management audit trail, will be in the form of an invoice, PO, timesheet or council resolution and will accompany the cheque to support the payment and to ensure the transaction meets the above criteria for completeness, accuracy and is properly authorized.

- Prohibited (E-transfer Payment):
  To strengthen community council and CAO accountability, transparency and effective internal control in the cash management of community funds, communities **are not to use** e-transfer to send payments for the purchase of goods or services or transfer funds to pay vendors, council members or employees.

Methods of Accepting Payments

Council may accept the following methods of payment for goods, fees and services provided to residents:

- Cash
- Cheque
- Credit Card/Debit Card
- Money Orders
- Electronic Funds Transfer
- Pre-authorized Debit
- Interac e-Transfer
- Certified Cheque

In addition to the traditional methods of accepting payment by cash and cheque, the use of electronic payment options is available. There is likely costs associated with the electronic methods for accepting payments. If council wishes to use these alternative methods for accepting payments, they need to be budgeted for and written into a council policy and communicated to residents.

Receipts

All cash, including cheques, money orders and any electronic payments, must be recorded as soon as it is received. The debit is to account 1020. Upon receiving a cheque or money order, stamp on the back **for deposit only**, write the account number and the name of council. The reason being, if the cheque gets lost or stolen it cannot be cashed. It is mandatory that receipts be printed or issued manually. Receipts are to be pre-numbered and the receipts book stored in a safe place.

Bank Deposits

Deposit all funds received once a week, if the amount of cash on hand exceeds $200. Deposit slips are obtained from the bank. The journal entry recording the deposit should bring the account balance of 1020 to zero.

Bank Reconciliations

Bank reconciliations are required monthly. This is **one of the most important** procedures related to good financial management and is covered in more detail in the *Accounting Training Manual*. A bank reconciliation:

- provides information in regards to the differences between the bank statement and an entity's records and assurances that all transactions that have passed through the bank have been recorded in the entity's records – the bank statement acts as an audit trail
- helps identify bookkeeping errors and in rare cases bank errors

Payroll

The purpose of payroll is to have an established system or system of control on how community employees will get paid. Wages are not to be paid, unless the employee has been hired in accordance with council's hiring policy and an approved time sheet has been submitted. To assist in determining whether an employment or contract relationship exists some basic questions are provided in Appendix Q – Employee or Independent Contractor. If CRA determines an employee relationship exists and council is paying as a contract, then council may be held responsible for the deductions that should have been paid for both the employee and employer portions.

All payroll items must be processed through the payroll module, except as otherwise indicated in other payroll considerations contained in this section.

New employees must complete all documentation required as a result of government regulation or employees benefit plans, ex: TD1 (federal and provincial), MEBP. TD1's are prepared by everyone being paid by council. These documents are very important in determining what deductions are to be taken for income tax purposes for each employee. If these are not filled out properly, the employer cannot determine what code to make the deductions from and the employee could find themselves owing more money at year-end or paying more than is necessary each bi-weekly pay period.

A community receiving LGSP funding for remoteness allowance must have a policy on the rates to be paid for eligible community employees (see Policy F9 – Community Employees of the NAMPP for funded rates).

Council members may not serve as community employees, even in an acting or temporary status, without first resigning from council per s. 84(d) and s. 87(1) of the act.

The maximum amount for labour or services for conducting council business to a council member is outlined in the Conflict of Interest regulation under s. 4 for the purpose of s. 86(1)(e) of the act. It states a member of council is disqualified from council if they receive from the community or an affiliated body of a community, a fee, salary, wage or any other payment for labour or services in excess of $8,000 in a year. The regulation outlines amounts to be excluded when calculating this amount for a member. These include: compensation received in respect of a contract awarded by public tender, reasonable compensation or expense money received for services as a volunteer firefighter or a driver or attendant of an emergency vehicle and reasonable compensation received for providing labour or services to the community in an emergency or urgent situation provided no other person is qualified and available to provide the labour or services and the labour or services are provided within a time period that does not exceed 90 days in duration.

The maximum monthly amounts payable for council member honorariums, per diems for attending to council business outside the community boundary and expenses for unincorporated communities is as outlined in the Council Compensation regulation under s. 1 to 3 which **cannot** be exceeded.

For each preceding year, council must have prepared and made available to the public a report showing all payments made to each council member **by August 31** per s. 131(7) and 131(8) of the act. These payments must include as listed by name separately for each council member:

- the total amount of compensation paid to the member for discharge of the duties of office, including any amount specified as an expense allowance
- the total amount of expense payments for the member made as reimbursement for expenses incurred by the member or as an allowance that is not reported in the total amount of compensation paid
- any fee, salary, wage or any other payment for labour or services received from the community or an affiliated body to conduct council business and a general description of the nature of the labour or services provided

Contract Employment

Where a contract for services exists, the contract must state that the contractor is considered to be a self-employed person and is responsible for both the employee/employer share of Canada Pension Plan (CPP) and Employment Insurance (EI) premiums and for all tax remittances.

Time Sheets

A time sheet is a daily record of **actual** time worked for the pay period. Time sheets are to be used for everyone being paid by council. This includes regular community employees, labourers, volunteer firefighters and ambulance attendants. The time sheets are the responsibility of the CAO for all community employees, unless council directs otherwise, to maintain and sign at the end of each pay period. Pay periods are prepared on a bi-weekly basis, except for council honorariums, which are prepared monthly. As part of internal control procedures, council must ensure time sheets are properly signed and approved.

Other Payroll Considerations

- There is a $1,000 expense allowance available to volunteer firefighters. Per CRA regulations, remuneration paid on an hourly basis does not qualify for the exemption and therefore is taxable earnings. Any other form of remuneration paid does qualify and should not be processed via the payroll system until the $1,000 maximum has been paid. The income exemption related to volunteer firefighters is shown in box 87 of the T4 slips.
- CRA taxation requires that deductions be based upon the entire employment income received for a pay period. For this purpose, employment income includes regular wages, the income portion of council honorariums, per diems (for attending meetings outside the community boundary, etc.) and firefighter's hourly wages for both training and actual fire fighting. Consult with CRA on these requirements.
- Per CRA regulations, election workers receive a T4A versus a T4. EI premiums should not be deducted for election workers if they work less than 35 hours.
- Vacation pay should be accrued for regular employees and paid out on each cheque for part-time and term employees. Check current labour laws for minimum vacation pay entitlement. If the employee agreement calls for a larger amount, the agreement prevails.

Municipal Employees Benefits Program Payments

Calculate, using the most current *MEBP Monthly Remittance Form* and complete as per instructions on the form. The remittance should be received by the department MEBP administrator no later than 10 working days following the last pay period of each month. When sending information to the department MEBP administrator, hand written material is not acceptable.

Review all employees not currently on the plan to determine their eligibility to join. It is compulsory that all employees, once they have reached one-quarter of their yearly CPP earnings for two consecutive years, join the program. For full-time employees (working 30+ hours per week), enrollment is compulsory after six months from their start date. Submit a payroll report on a quarterly basis and copies of T4's and T4 summary annually to the department MEBP administrator to assist in a review. This will ensure all employees required to be on the plan are enrolled and avoid unnecessary costs (ex: late enrollment fees, etc.). Refer to the online MEBP manual for further details which is updated regularly at https://www.mebp.mb.ca.

Other Deductions

It is important all deductions from pay are authorized. Receiver General deductions are authorized (mandatory) due to federal law. MEBP deductions are authorized via forms completed when the employee joins the plan. Wage garnishments are authorized (mandatory) via court order. Bond deductions are authorized via forms completed when the employee applies to purchase bonds under the payroll deduction plan. Where other deductions are made that provide a direct benefit to the employee a signed authorization must be obtained from the employee.

For recovery of payroll errors or pay advances, an employer cannot deduct more than 30 per cent of the employee's gross cheque amount, unless a greater amount is authorized by the employee. Employers **cannot** deduct (even if the employee agrees) for broken, stolen or damage to council property and vehicles (ex: insurance deductible, parking tickets or other violations,

with the exception of a photo radar ticket or red light camera tickets), faulty or poor quality work, customer theft, cash or inventory shortages, safety equipment, interest or other fees for cash advances or cashing cheques.

Receiver General Payments
Remittances must be made monthly to the Receiver General before the 15th of the following month to avoid substantial penalties and interest charges. Send the bottom portion of remittance notice with payment. The top portion is stamped and filed with accounts paid for that current month.

Preparation of T4's and T4A's/Amendments or Lost T4's
T4's must be prepared for each community employee who has been paid by council in the form of wages or honorariums, except for election workers (who require T4A's). These forms must be completed by February 28 and issued to all persons receiving employment income from council during the previous calendar year. Consult with CRA for forms and instructions.

In the event a T4 or T4A requires amendment, the comment section must refer to the original T4 number being amended. For lost T4's or T4A's, make a copy from council's copy and certify it is true and correct on the copy given to the employee.

Lost cheques
In the event a cheque issued to a community employee is lost and a new cheque needs to be issued, stop payment and follow Policy F6 – Financial Administration Issues of the NAMPP on issuing of cheques.

Reserves

Reserve funds are conditional and must be used for the specific purpose intended. These funds are provided yearly by the department for eligible infrastructure and are to be set up in a reserve fund established by a community Financial Reserve Bylaw. A sample is provided in Appendix R – Sample Financial Reserve Bylaw. Reserve funds must be established for each item as required on the LGSP funding schedule. There are both operating and replacement (capital) reserves. Council may establish additional reserves by bylaw, for example road maintenance, emergency repairs, etc.

Each year, deposit reserve funds into a selected guaranteed interest bearing account within 30 days of receipt of funds. Investment options include term deposits, guaranteed investment certificates (GIC's) or investments with Manitoba Finance. All interest earned on investments must be coded to the individual reserve accounts not interest revenue. The interest revenue should be pro-rated based on the individual reserve fund balances.

Operating Reserves
The required operating reserves are pump replacement, water/wastewater line repairs and fire equipment. Operating reserves can be used as approved by council resolution. Other examples include gravel and ditching. Where these funds are not required in a given year, set up a reserve in order to properly plan for this work.

Replacement (Capital) Reserves

The required replacement (capital) reserves are vehicle replacement and waste disposal site cell replacement. Replacement (capital) reserves must receive ministerial approval prior to be being used.

Example of Reserve Transactions

April 15, 2025 – Receive payment from department, enter in receivables receipts.

1020 – Cash	$18,700	
2710 – Operating Reserve: Pump Replacement		$1,600
2740 – Capital Reserve: Water Truck Replacement		$12,600
2750 – Capital Reserve: Waste Disposal Site Cell Replacement		$4,500

To record receipt of funds (receipt #52).

April 16, 2025 – Deposit payment in bank, create general journal entry.

1030 – Bank: Operating	$18,700	
1020 – Cash		$18,700

To deposit funds (Receipt #52).

April 30, 2025 – Move funds from operating account to investment, create general journal entry.

1050 – Reserve Investments	$18,700	
1030 – Bank: Operating		$18,700

To transfer funds into an investment account.

July 15, 2025 – Receive investment statement showing interest earned, create general journal entry.

1050 – Reserve Investments	$100	
2710 – Operating Reserve: Pump Replacement		$8.56
2740 – Capital Reserve: Water Truck Replacement		$67.38
2750 – Capital Reserve: Waste Disposal Site Cell Replacement		$24.06

To record interest earned on reserve investment.

August 15, 2025 – Purchase new pump using operating reserve funds, enter invoice in payables invoices.

5360 – Pump Replacement	$1,025	
1030 – Bank: Operating		$1,025

To record pump purchase.

August 15, 2025 – Create general journal entry to recognize operating reserve as revenue.

2710 – Operating Reserve: Pump Replacement	$1,025	
4020 – Operating Reserve		$1,025

To recognize revenue due to pump replacement expenditure.

August 31, 2025 – Move funds from investment to operating account at bank, create general journal entry.

1030 – Bank: Operating	$1,025	
1050 – Reserve Investments		$1,025

To transfer funds from reserve to operating account.

Accounting for Capital Projects

Capital funds are conditional funds and are considered liabilities until such time they are used for their stated purpose. When funds are received, debit cash and credit a liability account. As project expenditures occur, debit the work in progress account and credit cash account. At the end of each year until the project is completed, recognize revenue for expenditures to date by debiting the liability and crediting the revenue. At project completion, debit the appropriate TCA account and credit the work in progress account. Work in progress is commonly referred to as construction in progress. GST for capital project costs should be recorded the same as all other purchases as a debit to account 1240 – GST Paid on Purchases. Entries related to TCAs **(fixed assets, amortization and equity portion) apply to incorporated communities only.**

Example of Capital Project Transactions
The community is building a new administration building.

April 15, 2025		
1020 – Cash	$400,000	
2460 – Deferred Revenue: Administration Building		$400,000
To record receipt of department funds to build administration building.		
June 15, 2025		
1590 – Work in Progress	$100,000	
1240 – GST Paid on Purchases	$5,000	
1020 – Cash		$105,000
To record progress payment to contractor.		
November 30, 2025		
1520 – Buildings	$420,000	
1590 – Work in Progress		$420,000
To record completed asset.		
November 30, 2025		
3051 – Transfers to Equity in TCA	$420,000	
3600 – Equity in TCA		$420,000
To record transfer to equity for asset addition.		
November 30, 2025		
2460 – Deferred Revenue: Administration Building	$400,000	
4760 – Capital Reserve: Administration Building		$400,000
To record capital revenue.		

Surplus

If the community has an operating surplus at year-end, the council may by resolution per s. 150(4) of the act do any of the following:

(a) expend some or all of it for a purpose not set out in the operating budget

(b) transfer some or all of it to the capital budget
(c) transfer it to a reserve fund

Policy F2 – Local Government Services Program of the NAMPP provides further guidelines on dealing with allocation of operating surplus. It suggests any amount over the five per cent O&M safeguard can be used for the establishment of a special and/or general reserve. The community may set up a special reserve called contribution to capital where the purpose of this reserve is for any item identified on the community capital five-year expenditure plan. Replacement (capital) reserves require ministerial approval for any withdrawals.

Accounting for Year-end Surpluses into the New Year

Following is an example of how to account for operating surplus (Account 3060 – Retained Earnings). A community ends the year with reported O&M revenue of $200,000 and a $25,000 surplus and wants to accelerate the replacement of its water truck to the current year. The water truck is expected to cost $125,000. The community will have $115,000 in its water truck replacement reserve once the current year funding is received. A council resolution approves the use as follows:

- $10,000 (five per cent of current year's budget) to be retained as a safeguard for unanticipated O&M expenditures
- $5,000 to purchase a riding mower
- $10,000 to enhance the water truck replacement reserve

The entry would be:

3060 – Retained Earnings	$15,000	
3061 – Appropriated Surplus: Riding Mower		$5,000
2720 – Capital Reserve: Water Truck Replacement		$10,000

To segregate funds per council resolution.

The actual cost of the mower and water truck is $5,100 and $126,500.

When the money is spent the entries are:

1510 – Machinery and Equipment	$5,100	
1030 – Bank: Operating		$5,100

To purchase riding mower.

1515 – Vehicles	$126,500	
1030 – Bank: Operating		$126,500

To purchase water truck.

2720 – Capital Reserve: Water Truck Replacement	$115,000	
4720 – Capital Reserve: Water Truck Replacement		$115,000

To record department funded reserves.

3061 – Appropriated Surplus: Riding Mower	$5,000	
2720 – Capital Reserve: Water Truck Replacement	$10,000	
3060 – Retained Earnings		$15,000

To record incurred expenditures for qualifying appropriated surplus.

Bad Debt Expense/Allowance for Doubtful Accounts

An entry must be recorded at year-end to make an allowance for doubtful accounts. To calculate the allowance for doubtful accounts:

- Obtain a list of community A/Rs and for each receivable estimate by percentage the probability the account will not be collected. This will vary for each receivable between zero and 100 per cent.
- Multiply the receivable by the estimated percentage. The total of these amounts is the total estimated to be uncollectable.

If an entry for an allowance for doubtful accounts is not made at year-end, the community's financial statements may be overstated leaving the impression the community's finances are better than what they actually are. When an A/R entry is recorded, revenue is increased. If the A/R cannot be collected, the accumulated surplus must be reduced.

It is important to realize that making an allowance for doubtful accounts is not the same as writing off an A/R balance. When an entry is made for allowance for doubtful accounts, the amount owing by the customer still shows up on their account. If there is no chance of ever collecting an A/R balance, council should decide if the account should be written off and pass a resolution indicating such and forward it to the department for approval. Refer to Policy F5 – Community Accounts Receivable Write-Off of the NAMPP for details on this procedure.

Example of Allowance for Doubtful Accounts Transactions

A community has a balance of $542.50 in account 1215 – Allowance for Doubtful Accounts at March 31, 2025. It has seven accounts receivables totaling $18,355.12 as follows:

Customer	A/R Balance ($'s)	Estimate of Uncollectability (%)	Estimated Uncollectable Amount ($'s)
Customer A	687.52	100	687.52
Customer B	240	0	0
Customer C	150	0	0
Customer D	452.60	50	226.30
Customer E	15,200	0	0
Customer F	125	50	62.50
Customer G	1,500	0	0
Total	$18,355.12		$976.32

The account for allowance for doubtful accounts has a balance of $542.50, but it needs a balance of $976.32, so an increase of $433.82 is required. Prepare a general journal entry as follows:

5160 – Bad Debt Expense	$433.82	
1215 – Allowance for Doubtful Accounts		$433.82

To record annual bad debt expense.

Examples of Transactions for Bad Debt

If an account is determined to be 100 per cent uncollectible, a resolution to write off the

account **must** be passed and forwarded to the department for approval. If the resolution is not approved by the department the community **cannot** write off the debt. If the resolution is approved by the department, create a sales invoice to credit the customer's account by the uncollectible amount. Transaction is as follows:

1215 – Allowance for Doubtful Accounts	$687.52	
1210 – Accounts Receivable		$687.52

To write off uncollectible receivable from customer A.

If the customer makes a payment on the account after it has been written off, a sales invoice needs to be entered into receivables, so a receipt can be generated. Transaction is as follows:

1210 – Accounts Receivable	$687.52	
1215 – Allowance for Doubtful Accounts		$687.52

To re-enter an invoice previously written off as uncollectible.

Year-end and Other Entries

Year-end entries are made to:

- record amortization and adjustments to TCAs **(incorporated communities only)**
- record inventory and prepaid items
- accrue for bills, payroll costs and revenue/receivables relating to the old year
- adjust the financial statements for an allowance for doubtful accounts
- correct entries made previously

If a general journal entry is made to accrue for a transaction relating to the old year, but the transaction was posted in the new year, the general journal entry will need to be reversed in the new year. Once all of the year-end adjusting entries have been posted in the general journal, the trial balance should balance to the auditor's trial balance.

Examples of Year-end Entries and Reversing Entries

Example 1:

March 31, 2025 – General Journal Entry

5010 – Wages	$2,885	
5150 – Accounting/Auditing/Legal	$2,100	
2111 – Accounts Payable: Y/E Accrual		$4,985

To accrue for prior year expenses to be reversed in April.

April 1, 2025 – General Journal Entry

2111 – Accounts Payable: Y/E Accrual	$4,985	
5010 – Wages		$2,885
5150 – Accounting/Auditing/Legal		$2,100

To reverse year-end accrual for prior year expenses.

Example 2:

March 31, 2025 – General Journal Entry

2710 – Operating Reserve: Pump Replacement	$1,252.49	
4020 – Operating Reserve		$1,252.49

Recognize revenue from reserves for pump already expensed, no reversing entry required.

Example 3:

March 31, 2025 – General Journal Entry

1211 – Accounts Receivable: Y/E Accrual	$4,455.50	
4040 – Supplemental Funding		$4,455.50

To accrue for bill back invoice #123 submitted to department on March 31, 2025, to be reversed in April.

April 1, 2025 – General Journal Entry

4040 – Supplemental Funding	$4,455.50	
1211 – Accounts Receivable: Y/E Accrual		$4,455.50

To reverse year-end accrual for prior year revenue.

April 29, 2025 – Receivables Receipt

1030 – Bank: Operating	$4,455.50	
4040 – Supplemental Funding		$4,455.50

To record receipt of payment from department for invoice #123.

Examples of Other Entries

The act under s. 49(2) allows charges to be collected in the same manner as taxes. This may be an option for council in situations where a community is having difficulty collecting outstanding bills. If pursued, council would pass a resolution requesting the department add the outstanding amounts to the tax roll and forward to the department by May 31, along with a list of the amounts and description of the property to which the service was provided. The department will forward to the property tax clerk for processing. Once amounts are added they need to be removed from the customer's account in the community records.

Transactions are as follows:

- Have a customer called Department – Taxes.
- Determine which customer has outstanding amounts to be added to property taxes.
- Go to *Sales* journal, select the customer and enter a negative number for the amount to be added and select the account to which the customer was originally charged (ex: water and wastewater services). Post the transaction.
- Go to *Receipts* journal and select the customer for which the above transaction was made. The account should now show the original amount outstanding as well as a negative amount to be added to taxes. Post the negative amount and the same amount from the outstanding amount. This should give you a zero balance once posted and will remove the original amount from the account. Repeat for all customers having amounts added to taxes.
- Go to *Sales* journal and create an invoice for Department – Taxes for the total amount to be added to taxes. Select the original account the customer was charged (ex: water and wastewater services). Post the transaction.
- When you receive your tax payment from the department, apply the amount showing as Taxes Added to the outstanding Department – Taxes invoice. The balance is coded to account 4030 – Municipal Taxes.

Goods and Services Tax

Councils are eligible to collect 100 per cent of GST paid on purchases. Refunds may be claimed quarterly or annually. CRA must approve any change in the claim period. Further information is available from CRA. The method of recording GST is as follows:

- When paying an expense, record the amount paid less the GST as an expense with a program allocation to the applicable program. Record the GST portion and code it to account 1240 – GST Paid on Purchases.

Example:
A community purchases, as approved by council resolution, $100 of supplies on June 18, 2025. The invoice shows the $100 of supplies purchased, plus $7 provincial sales tax (PST) and $5 GST.

The entry to record this transaction would be as follows:

June 18, 2025			Programs
5380 – Supplies	$107		
Public Works			$107
1240 – GST Paid on Purchases	$5		
1030 – Bank: Operating		$112	

To record purchase of supplies.

Accounting for a GST Refund
The method for filing a GST return is as follows:

- Print account 1240 – GST Paid on Purchases. The refund amount is for 100 per cent of the account total.
- Complete the GST return form and ensure the total amount balances to the account print out.
- Set up the GST return amount as an accounts receivable amount from the Receiver General under sales invoice. Use word GST and the current date for the invoice number.
- When the GST payment is received, apply the payment against the outstanding accounts receivable invoice.

Example:
A community submits their GST return on a quarterly basis. On October 1, 2025, the balance in account 1240 – GST Paid on Purchases is $3,670.25. This is the total of the GST paid from July to September.

The entry to set up the accounts receivable transaction would be as follows:

Sales Invoice

October 1, 2025		
Invoice number – GST 100105		
Customer – Receiver General		
1210 – Accounts Receivable	$3,670.25	
1240 – GST Paid on Purchases		$3,670.25

To set up receivable for GST refund.

When payment is received from the Receiver General, apply the payment against the invoice entered above in receivables receipts. The entry to apply the payment would be as follows:

Receivables Receipt

1030 – Bank: Operating	$3,670.25	
1210 – Accounts Receivable		$3,670.25

To record payment on outstanding receivables balance.

Cash Flow

Cash flow is a forecast of the cash deficiency or surplus at year-end. It is prepared to inform council of potential cash shortages early enough in order to take the necessary steps to avoid the actual shortage. A community **cannot** incur a deficit unless advanced written approval is received by the minister in accordance with s. 149 of the act. Do not confuse this cash flow projection with the statement of cash flows generated. Your MDC can assist with preparation of a cash flow, if requested. A simplified example, using the administration program, is provided in Appendix S – Cash Flow Projection. The blank cash flow projection form provided in excel totals the numbers automatically. The narrative for this example follows.

Example:

On December 8, 2025, the CAO made a request to purchase a new computer for the office. Council requested a cash flow projection for the administration program before proceeding with the request. The CAO needs to prepare the cash flow for the next council meeting scheduled for January 12, 2026.

The CAO uses the following to develop a three-month cash flow for council review:

- estimates they will receive $11,268.84 of revenue in January for the fourth quarter and $1,700 per month for water and wastewater services
- opening bank balance is $2,000 on January 1, 2026

The CAO also estimates the following expenses **per month** [for the purpose of this example, expected expenditures in all programs other than administration are considered zero]:

- wages $20.48 per hour x 30 hours per week plus 15 per cent benefits with three pay periods in January
- honorariums for five council members, mayor at $300 and councillors at $250
- bank charges $10
- phone $150
- travel $100
- building maintenance $100
- equipment maintenance $50
- office supplies $40
- hydro $100
- new computer cost of $1,800

The CAO enters this data into the cash flow form. The same process would apply to the other programs. Assuming council wishes to have a cushion of $1,000 for unforeseen items and based on the projected ending balance of $1,127, the council may approve the purchase.

Tangible Capital Assets

The administration is responsible for maintaining accounting records and preparing reports for capital assets under their stewardship (see Policy F13 – Tangible Capital Assets of the NAMPP for the accounting and reporting requirements). The following examples of entries related to TCAs **(fixed assets, amortization and equity portion) apply to incorporated communities only.**

Tangible Capital Asset Entries
Example: Purchase of New Equipment
A community purchased a backhoe for $10,000 in July 2025.

Calculations:
Cost = $10,000
PST = $700
GST = $500
Residual value = $1,070 (10 per cent of cost + PST)
Amortizable basis = ($10,700 – $1,070) = $9,630
Estimated useful life = 20 years (heavy equipment)
Annual amortization = ($9,630/20 years) = $481.50

1030 – Bank: Operating	$10,000	
4710 – Capital Reserve: Backhoe		$10,000
To record receipt of capital funds.		

1510 – Machinery and Equipment	$10,700	
1240 – GST Paid on Purchases	$500	
1030 – Bank: Operating		$11,200
To record purchase of backhoe.		

3051 – Transfers to Equity in TCA	$10,700	
3600 – Equity in TCA		$10,700
To record transfer to equity in TCA for new asset.		

Example: Purchase of New Truck and Trade-in of Old Truck
A community purchased a new three ton water truck for $40,000 in May 2025. The old water truck was traded in for $7,000.

Calculations for disposal of old water truck:
Cost = $35,000
Accumulated amortization = $30,000
Net book value = $5,000
Proceeds from trade-in = $7,000
Gain on disposal = $2,000

1020 – Cash	$7,000	
1715 – Accum. Amortization – Vehicles	$30,000	

1515 – Vehicles		$35,000
5950 – Gain/Loss on Disposal of Assets		$2,000

To record disposal of old water truck.

3600 – Equity in TCA	$5,000	
3051 – Transfers to Equity in TCA		$5,000

To record transfer from equity for asset disposal using net book value.

Calculations for addition of new three ton water truck:
Cost = $40,000
PST = $2,800
GST = $2,000
Residual value = $4,280 (10 per cent of cost + PST)
Amortizable basis = $38,520 ($42,800 - $4,280)
Estimated useful life = 10 years (medium vehicle)
Annual amortization = ($38,520/10 years) = $3,852

1515 – Vehicles	$42,800	
1240 – GST Paid on Purchases	$2,000	
1020 – Cash		$7,000
1030 – Bank: Operating		$37,800

To record purchase of new water truck.

3051 – Transfers to Equity in TCA	$42,800	
3600 – Equity in TCA		$42,800

To record transfer to equity for asset addition.

<u>Example: Disposal of Asset</u>
A community sold their old wastewater truck for $4,000.

Calculations for disposal of wastewater truck:
Cost = $40,000
Accumulated amortization = $35,000
Net book value = $5,000
Sale price = $4,000
Loss on disposal = $1,000

1030 – Bank: Operating	$4,000	
5950 – Gain/Loss on Disposal of Assets	$1,000	
1715 – Accum. Amortization – Vehicles	$35,000	
1515 – Vehicles		$40,000

To record sale of old wastewater truck.

3600 – Equity in TCA	$5,000	
3051 – Transfers to Equity in TCA		$5,000

To record transfer from equity for asset disposal using net book value.

Example: Recording Annual Amortization Expense

A community shows the following balances in its TCA schedule:

Asset Description	Balances - March 31 Cost	Accumulated Amortization	Net Book Value	Annual Amortization
Vehicles	126,789	(15,702.83)	111,086.17	(5,705.51)
Buildings	339,812.69	(329,143.95)	10,668.74	(561.57)
Land Improvements	10,588.24	(10,235.29)	352.94	(352.94)
Machinery and Equipment	15,000	(7,001.03)	7,998.97	(500)
Totals	$492,189.93	($362,083.10)	$130,106.83	($7,120.02)

5910 – Amortization Expense		$7,102.02	
1710 – Accum. Amort. – Machinery and Equipment			$500
1715 – Accum. Amort. – Vehicles			$5,750.51
1720 – Accum. Amort. – Buildings			$561.57
1750 – Accum. Amort. – Land Improvements			$352.94

To record annual amortization expense.

3600 – Equity in TCA	$7,102.02	
3051 – Transfers to Equity in TCA		$7,102.02

To transfer from equity in TCA for annual amortization.

Inventories

Council is responsible for inventory control in order to protect community assets and provide good management information. The purpose of submitting an accurate inventory update to the department is for insurance/replacement and financial statement purposes.

Principles of good inventory control that must be adhered to include:

- ensure adequate physical protection for assets
- keep an inventory record of assets that are of high value and/or subject to theft
- update the inventory record as additions and disposals occur
- conduct a physical count at least once a year
- compare results of the physical count to the inventory record at the date of the physical count – council approves any identified variances
- ensure adequate insurance coverage exists by providing the department with an accurate annual inventory update, by the date required
- take photographs or video the building contents as evidence in the event of a loss and store off site

Definitions

A physical count or inventory count is a listing of items and quantities found by actual counting of the items. An inventory record is a list (or ledger) of all council assets. It will have columns for the cost, acquisition date and disposal date. Inventories are to be retained permanently. It is recommended the community keep a computerized record of the inventory.

Procedures

- results of the physical count are given to the CAO
- make a list of variances between the inventory count and the inventory record
- investigate all variances and any inventory count errors noted
- revised variance list is then approved by council resolution, which gives the CAO authority to make the required adjustments to the inventory record
- if council is satisfied the variances are reasonable, no further action is required
- if council feels too many items are missing or damaged, council should ensure the measures to protect community's assets are increased, ex: more items locked up, a policy on use of community equipment, etc.

Categories (For Insurance/Replacement Purposes)

An asset may be classified into one of three categories. The department requires control over items in category A. Council maintains its own inventory control over items in categories B or C (main difference between B and C is often cost of the individual item).

A. Permanent Inventory:
Any item in the community which is not used up as it is used. Examples are roads, water and wastewater lines, buildings, heavy equipment (such as trucks, fire engine or snowplow), small equipment (lawnmower, Wajax pump), mechanical items, furniture, office equipment, appliances, etc. Includes all equipment with a value greater than $500.

B. Temporary Inventory:
Any item located in the community that disappears or becomes part of a permanent asset as it is used. Examples are gravel stockpile, culverts, fencing, posts, plumbing supplies, building materials, fuel oil, gasoline, etc.

C. Disposable Inventory Items:
Any item located in the community that disappears as it is used. Examples are cleaning supplies, automotive parts (oil, filters, etc.), water plant items (pillows, filters, etc.), general office stationery supplies, fire extinguisher powder refills, etc.

Community Inventory Report Updates for Department Use

The department maintains an accounting software containing each community's inventory. An asset listing is provided to the Insurance and Risk Branch of Manitoba Finance to protect the value of the assets. Each community is responsible for providing updates (both additions and deletions) on the community inventory reports sent by the department on September 1 of each year. Prior to November 1, submit the updated copy as requested, **no exceptions,** to the department. Ensure information submitted is correct, legible and meets all inventory reporting requirements requested by the department. It is recommended these updates occur in conjunction with the annual infrastructure maintenance audit carried out in September. To increase the accuracy of the inventory update, the annual physical count should also occur during this time (see Policy G8 – Community Inventory of the NAMPP for further details).

Financial Statement Purposes

Inventory is set up as an asset on the balance sheet at year-end, so its costs can be properly expensed in the year the inventory is consumed. An inventory count is required on March 31

each year to accurately determine the amount of inventory on hand at year-end. Items include:

- fuel (if purchased in bulk in remote communities)
- chemicals (if a large quantity is on hand)
- gravel (stockpiles of gravel)

Example: Inventory Transactions

The community purchased a large quantity of chemicals for the water treatment plant in March 2025. None of the chemicals purchased will be used before March 31 year-end.

March 15, 2025 – Purchase chemicals and set up as inventory.

1410 – Inventory	$6,000	
5130 – Postage/Freight	$500	
1240 – GST Paid on Purchases	$300	
2110 – Accounts Payable		$6,800

April 30, 2025 – Expense chemicals used.

5420 – Chemicals	$1,000	
1410 – Inventory		$1,000

Sale of Community Inventory Items

When selling a community-owned inventory item, the community must determine whether applicable taxes are required to be collected from the purchaser.

- To determine whether PST, officially known as Retail Sales Tax (RST) in Manitoba, applies to the sale, consult Manitoba Finance Tax Publications and Bulletins, particularly Information Bulletin No. 030 – Summary of Taxable and Exempt Goods and Services, which outlines taxable and exempt items.
- To determine whether GST applies, consult the CRA GST/HST Guide, which provides information on taxable, exempt and zero-rated supplies.
- Where uncertainty exists regarding tax applicability, the community should contact:
  - Manitoba Finance Taxation Division for PST/RST inquiries
  - CRA Business Enquiries line at 1-800-959-5525 for GST inquiries

The community is responsible for ensuring all applicable taxes are collected and remitted in accordance with provincial and federal legislation.

Budgeting and Coding

Introduction

A budget is a plan of action for a specified period of time in the future. In community budgeting, O&M costs are planned for the upcoming year. The CAO will prepare a draft CMP and provide information for council's review, to support council's budget discussions (see the *Community Management Plan Manual* for further information on preparation of a CMP). The budget process involves determining the activities that are to occur per the CMP. The estimated cost of these activities are grouped under the account which most accurately describes the revenue or expenditure and totalled.

Preparation of the CMP and budget must be based on the most reliable information available at the time, which requires thorough investigation, study, research and consultation with community employees and the department. The operating budget is part of the CMP, which council will present to community residents at a public meeting (this is different than a regular or special meeting of council) and must be held in accordance with s. 130 of the act. The department releases LGSP funding based on receipt of the overall CMP from the community which must be complete (see Policy F2 – Local Government Services Program for reporting requirements).

Items must be coded for financial reporting purposes to the account under which the item was budgeted, even though it may exceed the budgeted amount for that account. This will provide accurate information for the preparation of future budgets. Budgets and budgeting have the following benefits for good local government management:

- **Control and Direction**
  Once a budget has been approved and entered into the accounting system, this will allow the financial statements to compare actual revenues or expenditures to budgeted revenues or expenditures. This will make it easier to identify variances, which may require adjustments to council's operational plans. This increases council's ability to control and manage community operations.
- **Communication**
  The budget becomes a means of information to community staff, potential funding agencies (including the various levels of government) and community residents. It shows what plans have been approved and informs the residents what direction the community council wishes to take during the upcoming operating year.

Preparing the Operating Budget

The following items will be needed to complete the operating budget:

- copy of the budget form (as provided in Appendix T – Budget Form)
- action plan from the CMP
- most recent LGSP funding schedule
- budget information sheets

Where required, prepare budget information sheets for each revenue and expenditure code by program. Transfer the total from each sheet to the budget form. It is recommended that the expenditure portion of the budget be completed first, prior to completing the revenue portion. As per s. 143(2) of the act, **Council Must Submit a Balanced Budget (Expenditures Must Equal Revenues).** Balanced budget requirements are essential for local governments to ensure fiscal responsibility, maintain essential services and promote long-term financial stability.

Following is an example of a completed budget information sheet (using a blank sheet of paper) for wages in the administration program.

Budget Information Sheet
Budget Item: Wages: Administration Program

Details:

60 hours bi-weekly x $20.48 per hour x four per cent vacation pay	$1,277.95
Plus: Remoteness allowance (if applicable, use rate set by council policy)	$146
Plus: 15 per cent for benefit expense (use appropriate rate)	$191.69
Weekly total:	$1,615.64
Annual Total: ($1,615.64 x 26)	$42,006.64

Account Contents – Revenues and Expenditures

A complete list of the chart of accounts to be used by communities is provided in Appendix U – Chart of Accounts.

Revenues
4000 – Department O&M Funding
This major category of operating revenue involves all funding received by the community from the department for regular ongoing local government services.

4010 – Core Funding
Amount received from the department as the departments O&M contribution per the LGSP funding schedule less the total reserve funds and any held back amounts as indicated on the schedule and any other amounts withheld by the department upon release.

4020 – Operating Reserve
Revenue recognized due to pump replacements and/or water/wastewater line repairs and other operating reserves as designated by the community. This is money transferred from the related deferred operating revenue account to offset the expense(s) incurred.

4040 – Supplemental Funding
Any other operating funding provided by the department throughout the year in addition to the core funding amount to support the operation of local services.

4100 – Other Federal/Provincial Grants
This major category of operating revenue involves all funding received by the community through provincial grants from other departments or within the department (other than LGSP funding) used for regular ongoing local government services.

4110 – Municipal Operating
Per capita unconditional grant (operating portion) provided from the Manitoba government. When budgeting, use the previous year's actual dollars received, unless otherwise advised by the department.

4160 – Northern Roads and Bridges Program
Conditional operating funds provided from the Manitoba government and disbursed to the community for eligible community improvement projects.

4300 – User Fees and Other Revenue
Operating revenues collected from the community or neighbouring First Nation (not other sources) to support regular ongoing local government services. For example, cost sharing arrangements with First Nations.

4310 – Municipal Tax
Amount received from the Northern Affairs Fund, representing property taxes collected less the school taxes payable. Property taxes collected from community residents for forwarding to the property tax clerk should be recorded to account 2180 – Property Taxes Payable.

4320 – Water and Wastewater Services
Fees collected from an established delivery or piped service. Water rates are set by council. Fees collected for provision of wastewater treatment plant/lagoon and a pickup service by either pipe and/or truck system. Council will set a residential/business fee for service rate. Revenue should be sufficient to operate the septic service and lagoon.

4330 – Solid Waste Services
Fees set by council for solid waste pickup service.

4340 – Rentals
Rental fees charged/collected for the use of community buildings (ex: community hall), including rental of space (ex: office) and equipment. Rental fees are set by council.

4350 – Licenses/Permits/Fees
Revenues collected from development permits, photocopying fees, etc. that are required under local community bylaws and revenues received on a fee-for-service basis.

4360 – Interest
Interest received, other than that pertaining to reserve funds, which is recorded in the reserve liability account.

4370 – Gifts/Donations
Gifts or donations provided to council by individuals and/or community organizations, ex: a community ball club may wish to contribute toward the improvement of the ball park.

For operating revenues received that do not fall into a defined account listed above can be coded to 4380 – Other. This can include firefighting revenue, hydro agreement funds, net revenue from community operations, etc. It is important these other revenues be tracked and coded separately and named if substantial, ex: 4390 – MB Hydro.

4600 – Community Operations
Operating funds received to operate business-like services or to run programs (which are not department funded) that are not strictly local government in nature. Although the business-

like service may suggest a conflict with the act for unincorporated communities, it may be necessary for the purposes of good local government to maintain such operations until more satisfactory arrangements can be considered and implemented. Examples may include laundromat, post office, cabin rentals, hotel/rooming houses and programs ran (ex: employment).

If the community is incurring costs for these types of operations, there must be revenue earned. If there is no revenue, the service should not be operated and therefore no costs incurred. Record the gross revenue, when received, in a community operations revenue account.

4700 – Capital
This major category of capital revenue is for projects funded in whole, part or in combination by the department, by replacement (capital) reserve funding or other funding sources (ex: From the Ground Up – Safe Communities for ALL Program). The last two digits of the account should match the last two digits of the related deferred revenue (projects) or deferred revenue (reserves) accounts.

4790 – Contributed Assets Revenue
Fair market value of assets donated to the community. The offsetting entry will always be to a TCA account.

Expenditures
5001 Payroll
5010 – Wages
Includes gross wages, employer's portion of all benefits (EI, CPP, *MEBP, WCB, etc.), for all employees (regular, full-time, part-time, casual, students), volunteer firefighters, per diems and remoteness allowance (if applicable). (*5040 – MEBP Expense, may be used to track MEBP expenses, if council wishes.)

5050 – Council Honorariums
All monies paid to each council member as an honorarium for services they render to the community. The Council Compensation regulation specifies the maximum allowable amount for unincorporated communities for the mayor and each councillor.

5080 – Other
Election workers remuneration and emergency coordinator/fire chief honorarium **only**.

5100 Operations
Operating costs associated with the O&M of the community's infrastructure, vehicles, equipment and administration.

5110 – Bank/Late Fees/Interest
Bank charges, supplier interest, Receiver General interest, penalties and service charges.

5120 – Election Expense
All costs related to an election (both regular and by-elections), ex: printing, ordering posters, purchasing election supplies, etc., **excluding** election workers remuneration.

5130 – Postage/Freight
Postage and other post office fees, costs of freight, bus parcel service and courier fees, **except** for costs related to shipping of water and wastewater samples.

5140 – Phone/Fax/Internet
Monthly and long-distance charges.

5150 – Accounting/Auditing/Legal
Fees for these services performed by someone other than a community employee.

5160 – Bad Debt Expense
Estimated annual expense due to uncollectable A/Rs.

5170 – Memberships/Registration Fees
Cost of membership fees in organizations such as the Association of Manitoba Municipalities and registration fees paid to attend trade shows and conferences. Registration fees **do not** include those related to training.

5180 – Grants and Donations
Council may support a community organization by a grant or donation to help in their work or endeavours in accordance with the legislation and policies.

5190 – Training
Costs related to training council members and community employees, including travel, course cost, registration fees, tuition, mileage, hotel, meals, incidentals, fire training, etc.

5200 – Travel
Costs related to travel for council members and community employees, **excluding** those costs related to training.

5310 – Road Maintenance
Costs related to gravel, grader and other equipment rental, purchase and installation of culverts, calcium chloride, ditching, drainage, snow removal (non-private), footbridges, sidewalks, etc., performed in maintenance of community roads and/or streets, and costs to hire a contractor to deliver the service on their behalf.

5320 – Site Maintenance
Maintenance costs (including grass cutting) related to sites such as the solid waste disposal site, recreation grounds, public cemetery, wastewater lagoon, playgrounds/beaches, outdoor rinks, community operated docks, etc.

5330 – Building Maintenance
Maintenance costs for minor repairs, renovations, etc. of buildings.

5340 – Equipment Rental
Rentals of an operating nature not related to road maintenance, ex: photocopier.

5350 – Equipment Maintenance
Repair and operating costs of any equipment, including fluids (oil, greases, etc.) and parts (blades, chains, etc.), involved in the delivery of community services, ex: cost to repair tools, electrical motors, lawnmowers, tractors, pumps, vehicles, etc.

5360 – Pump Replacement
Cost to replace water and wastewater pumps.

5370 – Equipment
Equipment purchase costs such as tools, electrical motors, lawnmowers, photocopiers, fax machines, cabinets, office furniture, fire equipment, **excluding** pumps and equipment purchases funded in whole or in part by capital and/or reserve funds and purchases that meet the TCA thresholds and are therefore capitalized.

5380 – Supplies
Costs of consumables used in the operation of the water and wastewater treatment plants and/or wastewater lagoon (ex: filters), buildings and delivery of particular programs, office supplies (paper, pens, photocopier, fax, etc.) and custodial/cleaning supplies.

5390 – Hydro
Cost of power for community buildings and heat trace, including streetlights.

5400 – Fuel
Cost of gas for running community vehicles/equipment used in the delivery of community services. Where there is no landline power, heating fuel cost is recorded here.

5410 – Licenses and Insurance
Cost for the licence, registration and insurance required for community vehicles, buildings and equipment; environmental licenses and permit fees. **Does not** include WCB insurance costs.

5420 – Chemicals
Cost of chemicals used in the operation of water and wastewater treatment plants.

5430 – Testing
Cost of water and wastewater sample testing and shipment.

5440 – Water and Wastewater Line Repairs
Cost to repair water breaks and wastewater line repairs with respect to material and contract costs, **excludes** community employees wages and equipment cost.

5490 – Other Operations
Miscellaneous related costs for operations and programs that do not fit into any defined

account, ex: WRARS levy payment. Use of this account should be limited, as most costs will fit into a defined account.

5600 – Community Operations
Operating costs involved in the operation of business-like services or to run programs (which are not department funded) that are now or expected to be ongoing and are not a local government service in nature. List only those operations for which there is revenue.

5900 Other Expenses
5910 – Amortization Expense
Used to record amortization (depreciation) expense of TCAs on an annual basis.

5920 – WDS Closure/Post-closure Cost
The current year portion of the estimated future cost for closure of a waste disposal site.

5950 – Gain/Loss on Disposal of Assets
The difference between the proceeds of the sale or trade-in and the net book value of the TCA.

Balance Sheet Accounts

Most of the balance sheet accounts are self-explanatory by the account name. Others that are not so clear are defined here for further clarification.

Assets
1020 – Cash
All receipts (cash and cheques) received by mail or in person. The balance in this account should equal the cash and cheques, excluding petty cash, on hand at the end of the day. Once each deposit is made and recorded the balance in this account should be zero.

1030 – Bank: Operating
Community chequing account in which all deposits should be made and all cheques issued. Receipts are not recorded to this account until they are deposited.

1050 – Reserve Investments
Consists of segregated funds targeted to meet reserve liabilities.

1300 – Prepaid Expenses and Deposits
Only include those that are in excess of $500. An example of a prepaid could be Autopac insurance, if significant.

15XX – Tangible Capital Assets
These accounts are used to record the historical costs of TCAs as per the TCA policy.

17XX – Accumulated Amortization – Tangible Capital Assets
These accounts are used as the offsetting entry of the annual amortization expense of TCAs.

The historical cost (15XX) accounts less accumulated amortization (17XX) is the net book value of the TCAs.

Liabilities

2170 – Damage Deposits

Funds received over and above the rental fee by the renter (group or individual) to cover the cost of any damage that the renter may cause due to negligence during the period of time the community asset is used. The deposit, less any cost of repairs (if any), is returned to the renter after the rental period has ended.

2180 – Property Taxes Payable

Property and business taxes collected by the community for forwarding to the department's property tax clerk.

2950 – WDS Closure/Post-closure

Total estimated future cost for closing the waste disposal site that has been expensed to date. This is the offsetting entry to account 5920.

Equity

3051 – Transfers to Equity in TCA

Account used to offset the entry from account 3600.

3600 – Equity in TCA

Account used to separate the TCA from operating equity.

Allocation Standards

All communities are required to allocate expenditures in accordance with the defined chart of accounts outlined in this guide to a specific program area. For expenditures which do not fall into any of the defined program areas, create an appropriate program category to allocate the specified expenditure. Allocating is a required condition.

Functional classifications: All the account categories are distributed over the primary area they serve. The primary area is a function, ex: travel. The secondary classification is a program classification, ex: Public Works.

Following on the next page is a table which cross references the expenditure accounts with a specific program area. If an X does not appear in a box, do not allocate that account to that program area. It is important to note the difference for recording *registration fees* for accounts denoted [1]. Account 5170 is to record fees such as joining an association or attending a trade show, etc., whereas account 5190 is to record registration fees related to training. It is important to note the difference for recording *travel costs* for accounts denoted [2]. Account 5190 is to record all travel costs related to training, whereas account 5200 is to record travel costs not related to training such as council and/or community employee travel costs to attend meetings outside the community.

The department maintains a community financial/statistical database that records the annual audited financial data of O&M revenues and expenditures for each community. This information is used for comparison and analytical purposes and relies on accurate financial reporting by the community for delivery of community services in an efficient and effective manner. Where reporting deficiencies are evident, the community will be required to provide correct data for database input purposes creating extra work that otherwise would not be necessary for the CAO and department staff who enter the audited data. The reporting deficiencies will need to be corrected the following year. This is one reason it is important to ensure financial reporting is in accordance with the guide, submit financial statements on a regular basis to the department as required and your MDC participates at the audit exit interview. There is ample opportunity throughout the year to ensure these do not reoccur.

Some examples of recurring reporting deficiencies to avoid include:

- coding capital funding as an operating revenue or expense
- combining two of the required programs (ex: Water, Wastewater) to code related expenditures into one Schedule of Expense – Water and Wastewater which is not permitted as opposed to the required program of Schedule of Expense – Water and Schedule of Expense – Wastewater which is permitted
- creating unnecessary schedules (Schedule of Expenses – Hall, Schedule of Expenses – Arena) related to the same required program area (Schedule of Expenses – Recreation)
- coding reimbursements or GST rebates as operating revenue
- coding public works employee training funding (which is known as the water and wastewater certification supplement) previously held back by the department in a funding release to an account other than Core Funding, ex: Supplemental Funding
- coding items under User Fees and Other Revenues that are not locally generated revenue
- not properly coding operating reserve revenue when recognized to the correct account and to the appropriate expense for which it was withdrawn
- not following the required chart of accounts and programs

Report any issues to the department where the community is experiencing issues with their auditor in order to ensure these can be resolved early on.

	Chart of Accounts	Program Area					
Functional Classifications	**Account Number – Name**	**Administration**	**Public Works**	**Water or Wastewater**	**Solid Waste**	**Recreation**	**Fire or Public Safety or Emergency Management**
	5010 – Wages	X	X	X	X	X	X
	5050 – Council Honorariums	X					
	5080 – Other	X (election worker remuneration)					X (fire chief/ emergency coordinator honorarium)
	5110, 5120, 5140, 5150, 5160	X					
	5130 – Postage/Freight	X	X	X	X	X	X
	5170[1] – Memberships/Registration Fees	X	X	X	X	X	X
	5180 – Grants and Donations	X					
	5190[1,2] – Training	X	X	X	X	X	X
	5200[2] – Travel	X	X	X	X	X	X
	5310 – Road Maintenance		X				
	5320 – Site Maintenance		X	X	X	X	
	5330 – Building Maintenance	X	X	X	X	X	X
	5340 – Equipment Rental	X	X	X	X		
	5350 – Equipment Maintenance	X	X	X	X	X	X
	5360 – Pump Replacement			X			
	5370 – Equipment	X	X	X	X	X	X
	5380 – Supplies	X	X	X	X	X	X
	5390 – Hydro	X	X	X		X	X
	5400 – Fuel		X	X	X		X
	5410 – Licenses and Insurance	X	X	X	X	X	X
	5420 – Chemicals			X			
	5430 – Testing			X			
	5440 – Water and Wastewater Line Repairs			X			
	5490 – Other Operations	X	X	X	X	X	X