

FINANCIAL ADMINISTRATION

ACCOUNTS RECEIVABLE – CREDIT & COLLECTION

FIN.2

POLICY

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1. General

The District of Mission provides various goods and services to a variety of persons and organizations, e.g. property owners, residents, contractors, other governmental bodies and agencies, etc., on an ongoing basis. Generally, goods and/or services must be paid for before they are provided or rendered, however, under certain circumstances, as outlined in this Credit and Collection Policy (Policy), credit privileges will be extended. Various flexible payment options will be provided to customers to facilitate prepayment of goods and services, where credit is not extended.

2. Purpose

This Policy provides for the extension of approved credit in specific circumstances. The Policy is intended to safeguard the resources and assets of the District of Mission that result from accounts receivable, by minimizing risk, by maximizing cash flow, and by reducing the administrative and carrying costs that invariably come with accounts receivable and subsequent collection efforts.

3. Extension of Credit

Credit will only be extended under the following conditions or in the following circumstances, where credit approval has been granted and if an established charge account is up to date or current.

- a. For work done or services provided to land or improvements or any other amounts which can be transferred to property taxes and collected as such under the provisions within the Community Charter, including property related bylaw infractions;

- b. For emergency work and/or services that are required, e.g. repairs to roads or utilities as a result of damage by a contractor, utility company, or property owner, emergency cleanups, ICBC claims, etc.;
- c. Amounts due under lease, rental or other contractual agreements that have credit arrangements and that have been approved by Council;
- d. The sale of Forestry products and/or services, e.g. timber, logs, poles, road grading, etc., that are approved for sale via Council or approved through a formal agreement, permit and/or tender process;
- e. For landfill tipping fees only for established businesses that have existing landfill charge accounts with the District and for new accounts as approved by the Director of Finance or the Deputy Treasurer/Collector.
- f. For soil removal fees where the soil quantities removed are only known after the fact;
- g. For goods and/or services provided to other governments, governmental agencies, departments or bodies (includes RCMP), crown corporations, regulated utility companies and School District #75 (Mission) (includes all schools);
- h. Bus tickets and passes provided to sellers or distributors where a customer agreement has been entered into;
- i. For funeral homes or companies that collect cemetery fees on behalf of the District;
- j. Goods and/or services provided by Public Works where a deposit or prepayment has been taken and the costs exceed the prepaid amount;
- k. On-going, longer duration (greater than one month) Recreation rentals and bookings where a formal agreement has been entered into;
- l. For property related information provided to banks or other financial institutions;
- m. Companies and non-profit groups or organizations that provide services on behalf of the District of Mission;
- n. For surplus goods that are sold through an auction company under an agreement;
- o. Leisure Centre Guide Advertising when the customer has advertised in the guide in the past and kept their account up to date;
- p. Sale of recyclable materials from the landfill;
- q. Leisure Centre passes if the insurance company has given us something in writing guaranteeing that they will pay for the changes;
- r. Other specific or unique circumstances that are approved by the Director of Finance or his/her designate.

Club Kids – Parks, Recreation, and Culture

The Club Kids program is paid for in advance, if the parent portion is not paid by the 10th of each month the child(ren) will not be allowed to attend until it is paid. The Ministry subsidized portion is now pre-approved before the child attends. If it is not yet pre-approved, the parent has to pay the full amount until pre-approval is received and then the parent will be refunded.

If, under extenuating circumstances, an amount becomes due for services rendered (ie. A child attends that is not yet registered) under our Club Kids program, an invoice will be sent out within 30 days and if not paid within 2 months, the child(ren) will not be able to attend until the account is paid up.

4. Credit Application and Approval

A credit application will be required in certain instances or cases as determined by the Deputy Treasurer/Collector or his/her designate. The Deputy-Treasurer or his/her designate will provide some procedural guidelines to the various departments as to when a credit application will be required.

The Deputy Treasurer/Collector or his/her designate will complete credit checks, where applicable or prudent, before credit is granted, and will then approve or deny specific credit requests. Departments will not provide goods and/or services until credit has been approved, in cases where a credit application is required.

5. Withdrawal of Credit Privileges

Continued extension of credit is contingent on the person or organization maintaining its account in good standing. Credit privileges will be withdrawn when any charge on an account remains unpaid for 60 days. In the event that credit privileges are withdrawn, prepayment will be required for all further goods provided or services rendered until the account is brought up to date. The District may also choose not to provide further goods and/or services on outstanding accounts. If non-payment persists or if an account is repeatedly over-due credit privileges will be permanently withdrawn.

6. Non-Sufficient Fund Cheques and Other Dishonoured Payments

Any payments (cheques, preauthorized debit, credits cards, etc.) that are not honoured and that result in a charge back to the District's bank account will be treated as accounts receivable and will be assessed a fee, as set out in the District's Fees and Charges Bylaw No. 3954-2006, and amendments thereto.

7. Administrative Cost Recovery Fee and Interest Charges

A 5% administrative cost recovery fee will be charged on accounts receivable billings, based on the gross invoice total before any applicable taxes, with the exception of pre-established or set fee billings determined by bylaw, policy or agreement, e.g. landfill accounts, transit passes and tickets, etc. and other special circumstances approved by the Deputy Treasurer/Collector or his/her designate. This administrative fee partially covers the District's administrative costs (general accounting required, departmental time involved with billings and collections, office supplies, postage, etc.) that are incurred as a result of billings.

Non-compounding interest of .065753% per day (equivalent to 2% per month or 24% per annum) on fees that remain outstanding after 30 days from the mailing date of the invoice with interest accumulating on the 31st day from the invoice mailing date and thereafter until payment is received in full or until the unpaid amounts are transferred to property taxes (only applies to certain property related fees), at which time legislative interest rates would apply.

8. Payment Terms and Collections

The following payment terms and collection process shall be followed:

- a. Payments will be due within 30 days from the mailing date of the invoice with

- interest accumulating on the 31st day from the invoice mailing;
- b. Statements will be issued, at a minimum, on a quarterly basis;
 - c. If any amount is payable by the District of Mission to a party with an overdue account the amount that is due from the other party will be deducted from the amount payable by the District of Mission;
 - d. All outstanding amounts that can be collected as property taxes under the provision of the Community Charter will be transferred to the applicable property tax account at year-end;
 - e. Certain overdue accounts, as determined by the Deputy Treasurer/Collector and/or his/her designate, will be turned over to a collection agency for collection purposes; and
 - f. The following collection steps will be taken by staff:
 - After 30 days – send statement and start charging interest
 - After 60 days – send first warning letter
 - After 90 days – phone and send final warning letter
 - After 120 days – send to collections

9. Agreements

When the District enters into agreements including entering into or renewing lease and/or rental agreements it will ensure that security, penalty and/or enforcement provisions are provided for within those agreements, to ensure that amounts due under those agreements are paid within the terms so specified.

10. Allowance for Doubtful Accounts

An allowance for doubtful accounts will be set up on an annual basis at year-end, in accordance with generally accepted accounting principles, with the accounts and amounts to be determined by the Director of Finance and the Deputy Treasurer/Collector or their designates, in consultation with the District's auditor.

11. Reporting and Write-Off of Bad Debts

An annual report will be provided to Council as soon as possible after year-end, by the Deputy Treasurer/Collector or his/her designate, which outlines the status of the District's accounts receivable at year-end and which recommends the formal write-off of any amounts that have been set-up as doubtful and/or are deemed to be uncollectible.

12. Transitional Provisions

All existing credit arrangements in place prior to this Policy being adopted will be transitioned to the new Policy requirements as soon as contractually and practically possible including compliance with the new credit application process and payment terms.