

Accounts Receivable (Non-Tax Accounts) Policy

Department:	Finance	Policy Number:	F02-0500-15
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Authority:	By-law 2015-074, By-Law 2022-072, By-Law 2025-062		

1. Purpose

The purpose of the Accounts Receivable (AR) Policy is to encourage strong fiscal management practices, and to have proper control over the Municipalities receivables. A comprehensive Accounts Receivable Policy will ensure the Municipality of Brockton bills and collects its revenues fairly, equitably, and in a timely manner. Timely collection allows the Municipality of Brockton to have greater control over its cash flow and liquidity, which in turn makes it financially stronger and more viable.

2. Scope

This policy applies to all non-tax receivables including:

- General Accounts Receivable
- Utility Receivable
- Child Care Receivable
- Recreation Receivable

3. Policy

The Municipality of Brockton’s Accounts Receivable Policy promotes efficiency, consistency and accountability with respect to the following areas:

- Billing and Payment Terms
- Collection Process
- Payment Methods
- Write-offs
- Credit Balances

4. ~~1~~ Billing and Payment Terms

~~The Treasury department is responsible for processing Accounts Receivable and Utility Receivable invoices. Invoicing should be done in a timely manner upon the receipt of an invoice request that has been approved by the Department Head with all supporting documentation.~~

The Finance Department is responsible for processing and overseeing all Accounts Receivable (AR) and Utility Receivable invoices.

- The Brockton Child Care Centre and the Brockton Recreation Department are each responsible for preparing and submitting their respective monthly invoices.
- Invoices will be issued at the beginning of each month.
 - Child Care invoices will be due by the 20th of that month.
 - All other AR invoices will be net 30 days.

Recreation Department Invoicing

- Monthly invoices are issued at the beginning of each month for regular facility user groups.
- For special events (e.g., weddings, stag and doe parties):
 - A non-refundable deposit of \$100.00 is required at the time of booking.
 - Full payment is due two weeks prior to the event date.
 - Additional charges (e.g., bar services, security) are billed after the event and are due 30 days from the billing date

General AR requests:

To request an invoice:

- A completed Invoice Request Form must be submitted.
- The form must be approved by the Department Head.
- All supporting documentation must be included with the request.

4.1 ~~1.1~~ Setting up an Account

Customers wishing to set up an account must provide the following documentation.

Residential and Non-Corporate Accounts:

- A. Proof of address (~~i.e.~~ Driver's License)
- B. Telephone Number
- C. Email address (required for e-billing)

5. Collection Process

5.1 ~~2.1~~ Interest

~~2.1.1~~ General/Utility Receivable

Unpaid invoices by the end of the month in which they were billed will incur a late fee ~~Simple interest~~ at the rate of 1.25% per month (15% per annum) shall be applied ~~to General and Utilities Receivable~~ after the first day of default and monthly thereafter, with the exception of:

- Dog Tags - a one-time charge as set out by the Rates and Fees By-law is applied subsequent to the due date.

5.2 ~~2.2~~ Statement of Accounts

~~Statements of unpaid account will be mailed monthly to all customers after adding penalty/interest.~~

Monthly statements of unpaid accounts will be mailed to all customers, excluding utility customers. These statements will include any applicable penalties and interest.

Utilities

The following timeline applies to overdue utility accounts:

- **Overdue Notice:** Sent via mail or email 14 days after the due date.
- **Final Notice:** Sent via mail or email 7 days after the Overdue Notice.
- **Disconnection Notice:** Delivered by hand or sent via registered mail, or email 7 days after the Final Notice.

5.3 ~~2.3~~ Internal Collection Procedure**A. Balances unpaid after 30 days:**

~~A.~~ In conjunction with statement of unpaid account, telephone contact will be made once the account is 30 days past overdue, if the telephone information is reasonably available.

B. Balances unpaid after 60 days:

~~B.~~ Send a second reminder email as well as issue a registered ~~Collection~~ letter shall be sent out to the billing address on file once the account is 60 days past overdue and no payment arrangement has been made, excluding utility customers.

C. Unpaid balances over 60 days (Child Care only)

Immediate termination of child's enrolment, unless payment arrangement and agreement are in place.

D. Balances unpaid after 90 days:

~~C.~~—Once the charge is past 90 days it shall be transferred to the tax account and remain an encumbrance on property until such time it is fully paid by the ratepayer or through Tax Sale. Transfer balances will incur an additional transfer fee in accordance with the annual Fees and Charges By-law. Transfers will be processed as follows:

- i. Balances that are less than or equal to \$5.00 will be transferred without the additional transfer fee.
- ii. Balances that are greater than \$5.00 shall have the balance transferred to the tax account along with the additional transfer fee.

The Senior Accounting/Payroll Clerk will submit any transfer requests to the Tax Collector~~/~~ and/or the Deputy Treasurer for approval on an as needed basis.

~~D.~~ If collection of unpaid account persists, account will be forwarded to a collection agency and an additional administration fee will be applied to the account as per the Rates and Fees By-law.

~~E.~~ Penalty and Interest Charges will no longer be applied to accounts who have been forwarded to a collection agency. The Municipality is no longer expecting to obtain future economic benefit from the charges as the likelihood of collecting is no longer reasonable. This is in Payment Methods.

6. ~~3.~~ Payment Method

6.1 ~~3.1.~~ Payment Options

The Municipality of Brockton payment options include:

- Cash, Cheque, Debit Cards
- Payments can also be made at financial institutions
- Preauthorized Payment Plan
- Online Banking
- Credit Card

6.2 ~~3.2.~~ Cash Receipts

Night deposit box is available for after hour cash/cheque payments

EFT payments (Electronic Fund Transfer) and Debit Payments will be processed into Municipality of Brockton's bank account as received

7. ~~4.~~ Write-offs

7.1 ~~4.1.~~ External Collection.

The Municipality will involve a third party to assist in the collection of funds when the Municipality of Brockton's internal collection efforts have not brought the desired results or there is reason to believe that filing a judgment against the debtor is imperative to protect its' interests. Use of Collection agency is applicable for non- lienable charges and Non- profit Organizations.

A collection agency is involved only after the debtor has received, via registered mail – return receipt requested - a final demand notice. Choice of agency is dependent upon applicable commissions charged for collection and the circumstances of the matter in general. All placements are on a contingency basis. When an account is placed with an agency, the performance of the agency is to be monitored via a spreadsheet that documents all third-party activity. The spreadsheet will include these data elements:

- Account name and location
- Date placed with agency
- Agency name
- Amount placed
- Reason for placement

Also, to be recorded are subsequent agency actions including amounts collected and commissions paid. Court costs and suit fees, if paid, are also recorded here.

Collection agencies are required to promptly acknowledge all claims, provide regular activity reports and promptly remit any funds collected on the municipality's behalf. A quarterly status report of all claims, regardless of active or inactive status, should be provided by each agency working on an account on the municipality's behalf. Under no circumstances will an agency initiate legal proceedings against a debtor without prior approval of the Deputy Treasurer/~~Tax Collector~~ or CFO. An estimate of legal fees must be provided as part of the decision process.

7.2 ~~4.2~~ Write-offs

From time to time, a customer invoice will become uncollectible, either because the customer cannot pay or because the customer will not pay.

Where there is some reason to believe that the customer will become able to pay or will become willing to pay, the invoice should be aged and maintained.

If there is no reason to believe that the invoice will ever be paid, it must be classified as uncollectible and treated as a bad debt.

The decision to classify an invoice as a bad debt should be made by the Deputy Treasurer/~~Tax Collector~~ and reviewed and approved by the Chief Financial Officer. When an invoice is classified as a bad debt, the following must occur:

- An accounting entry cancels the account receivable from the customer and increases the bad debt expense.
- Generally, the customer's credit limit will be reduced to zero. It is important to maintain the customer's records even though credit is not to be granted. This enables the Municipality to maintain a record of customers not to be granted credit.
- The credit bureau is notified.

7.3 ~~4.3~~ Allowance for Doubtful Accounts

~~A.~~ Allowance can be used for non-lienable accounts over 90 days but for which final outcome is not yet known. This is a "contra account" that reduces Accounts Receivable to the amounts that are expected to be collected.

~~B.~~ When an Allowance for Doubtful Accounts is used, customer account write-offs will be written off to the Allowance for Doubtful Accounts rather than directly to Bad Debt Expense.

7.4.4.4 Uncollectable Balances \$10.00 or less

Balances owing that are less than \$10.00 may be written off when all of the following conditions are met:

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- A. Account charge is greater than 60 days
 - B. It is unlikely that another charge will be applied to the account
 - C. The balance cannot be transferred to the tax account

On an annual basis the ~~Senior Accounting/Payroll Clerk Tax Collector/Deputy Treasurer~~ will provide a recommended listing of accounts that are deemed uncollectable to the ~~Deputy Treasurer Chief Financial Officer~~ with for review and approval. An information report to Council will be provided on an annual basis.

8. ~~5.~~ Credit Balances

The Municipality may transfer a credit balance that has remained on a customer's account for 1 year to the General Government Revenue Account if the following applies:

- A. The customer does not have any overdue balances within the Municipality to which the credit can be applied and the customer has been notified in writing of the credit amount and time period in which it must be used.
- B. The refund is less than \$5.00