

Municipal Financial Reporting and Accounting Manual

Department of Communities, Cultural Affairs and Labour
Province of Prince Edward Island

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1. Introduction

1.1 Purpose of This Manual

This manual provides:

- The system of accounting that is to be used by municipalities;
- The information that is to be provided to the Minister responsible for local government.

1.2 Additions and Revisions

Accounting is not static. As a result, periodic review and amendments to this manual will be required. All additions and revisions to this manual will be issued and identified as “manual revisions”.

1.3 Application

The Handbooks of the Public Sector Accounting Board and the Canadian Institute of Chartered Accountants should be reviewed as the authoritative sources of guidance on accounting and financial reporting for municipalities.

This manual also contains specific accounting policies that have been developed for application by Prince Edward Island municipalities and their committees, boards, authorities or other such entities.

The Minister responsible for local government may designate a municipality to be exempt from certain accounting policies contained in this manual if, in the Minister’s opinion, the application of certain policies is inappropriate in light of emergency financial or operational situations confronting the municipality.

Should exemptions be granted by the Minister, these are to be disclosed in the Notes to the Financial Statements.

1.4 Format of this Manual

This manual contains 4 sections corresponding to:

- System for Accounting and Reporting
- Specific Accounting Policies
- Municipal Financial Information Return Requirements
- Audited Financial Statements

The Line Item Dictionary for completion of the Municipal Financial Information Return is provided in the Appendices to this manual.

2. System for Accounting and Reporting

2.1 System for Accounting

Financial statements should be prepared in accordance with the Canadian Institute of Chartered Accountants standards as outlined in the Public Sector Accounting (PSA) Handbook. Where the PSA Handbook is silent, the financial statements should follow the Canadian Institute of Chartered Accountants (CICA) Handbook.

2.2 Municipal Year End

The municipality, and its committees, boards, authorities or other such entities in which the municipality has a controlling interest, are to have a year end for financial reporting purposes of December 31.

2.3 Minimum Standards for Financial and Statistical Reporting to the Minister

Municipalities are required to submit the following reports on the dates noted below.

Report	Required Date for Submission
Municipal Financial Information Return (see Section 4)	April 1
Audited Financial Statements (if required, see Section 5)	April 1
Budgetary Information	April 1

3. Specific Accounting Policies

3.1 Fund Accounting

This section relates to the non-consolidated schedules of municipalities employing fund accounting only.

“Reporting on a local government’s fund balances and changes in those balances is important and useful information. The financial statements could display information about its funds in notes and schedules or as statements themselves” (PS 1800 .56)

The accounting unit shall be the Fund, which is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

3.2 Reporting on Funds

This section relates to the non-consolidated schedules of municipalities employing fund accounting only.

For the purposes of financial reporting by Prince Edward Island municipalities, the following funds must be reported if applicable:

1. (a) General Operating Fund or (b) “specified service” Operating Fund – in the case of all operating transactions, as distinct from capital transactions.

Note: It is the intent that the designation of Funds relating to the operations side of activities (as distinct from the capital side) be standardized as the “General Operating Fund”, for example, General Operating Fund, Water/Sewer Operating Fund, Electric Operating Fund, etc., as applicable.

2. (a) General Capital Fund or (b) “specified service” Capital Fund – in the case of all capital transactions, as distinct from operating transactions.

Note: The intent is to have the designation of Capital Funds parallel that of corresponding General Operating Funds where applicable, such as General Capital Fund or Water/Sewer Capital Fund.

3. Reserve Fund – in the case of a desire by municipal council that certain monies accruing to the municipality be segregated into a “Reserve Fund” for future use.

Note: A municipality may transfer all or any portion of its operating fund revenue in excess of operating fund expenses into a Capital Reserve Fund.

3.3 Accounting and Reporting Capabilities

The municipal accounting system must make it possible to:

- (a) Determine and demonstrate compliance with legal provisions;
- (b) Maintain an adequate system of internal control; and
- (c) Prepare financial statements that will determine fairly and fully disclose the financial operations of the municipality in conformity with this manual and generally accepted accounting principles.

Where financial statements prepared in conformity with generally accepted accounting principles differ significantly from those required for legal compliance, the municipality must prepare such additional notes or schedules as may be necessary to report clearly its legal compliance, responsibilities and accountabilities. In extreme cases, preparation of a separate legal-basis special report may be necessary.

Note:

- a) The aim of this principle is to emphasize that there is no acceptable substitute for “generally accepted accounting principles”. However, since the application of such principles will not always produce the requirements of particular legislation, it may be necessary to meet the latter through specially designed statements and reports.*
- b) Internal control is defined as a plan of organization under which employees’ duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues and expenses. Under such a system, the work of employees is subdivided so that no single employee performs a complete cycle of operations. Thus, for example, an employee handling cash would not post the accounts receivable records. Moreover, under such a system, the procedures to be followed are definitively laid down and require proper authorizations by designated officials for all actions to be taken.*

3.4 Taxes and Other Receivables

Taxes and Rates

Taxes and rates receivable represent that uncollected portion of taxes and levies as determined by municipal council for purposes of general operations funding or specific user-pay services. These should be recorded net of valuation allowances in the financial assets category on the Statement of Financial Position, and all adjustments and write-offs must be sanctioned by the municipal council except for assessment appeals, errors and changes in assessment that are authorized by the proper authorities.

Interest Earned

Interest accrued on past-due taxes and rates or other uncollected amounts shall be recorded by the municipality.

Grants and Other

Full accrual accounting should be applied in the determination of revenues outstanding, including cost-shared programs. These receivables must be distinguished from taxes and rates receivable and are determined as the realizable amount.

3.5 Asset Valuation Allowance

(1) Taxes and Rates

A valuation allowance shall include an estimate of future losses on taxes, rates, and interest outstanding at year end. In most cases, taxes and utility rates outstanding are recoverable through the tax sale process.

The allowance required is an estimate and the actual loss eventually sustained may be more or less than the estimate. The variation will depend not only on the pessimism or optimism of the estimator but also on events that have yet to occur and cannot be foretold. The impossibility of making an exact forecast does not, however, relieve management of the responsibility of making a careful estimate of the allowance required.

No formula can be set out that, by itself, provides a means by which the amount of an allowance can be determined. The nature of the outstanding accounts, collection policies, the efficiency of the collection department and the general business conditions at the time are all factors which must be taken into account.

The amount of the allowance at the end of the financial period should be calculated by reference to the accounts outstanding at the end of the financial period, after taking into consideration all circumstances known at the date of review. Any amount required to increase or decrease the valuation allowance should be included in the statement of operations for the year then ending. Therefore, an estimate of the amount required at year end should be included in the municipality's budget at the start of the year.

The actual calculation may be based on a formula that ages the balances outstanding and applies various percentages based on past collection experience, in addition to a review of large individual accounts to determine the total valuation allowance.

(2) Grants and Other Receivables

A valuation allowance shall be provided for all other receivables that are outstanding at year end. The amount of the valuation for other outstanding receivables shall be management's best estimate based on facts.

Write-Off of Taxes and Rates

When taxes and rates are determined to be uncollectible, after considering all avenues of collection, and by resolution, council approves the write-off, the amounts to be written off are to be charged directly against the valuation allowance.

Statement of Financial Position

The amount of the valuation is to be included on the asset side of the Statement of Financial Position as a deduction from appropriate receivables. Full disclosure of the effect of this accounting change is required in the notes to the financial statements.

3.6 Long-Term Debt

This section relates to non-consolidated schedules only.

The cash that is received on the issuance of debt will be recognized in the capital fund where it is to be spent. Long-term debt is to be set up in the capital fund, with a corresponding recognition of the capital assets.

Example:

A municipality borrows \$1,000,000 to finance a capital project that has been completed.

Capital Fund			
Cash	1,000,000		
Long-term debt		1,000,000	
Capital asset	1,000,000		
Cash			1,000,000

A municipality makes a principal debt payment.

Operating Fund			
Debenture and term loan principal installments	100,000		
Cash			100,000
Capital Fund			
Long-term debt	100,000		
Investment in tangible capital assets			100,000

3.7 Capital Reserve Fund

This section relates to the non-consolidated schedules only.

There must be a separate accounting of assets in the capital reserve fund from the general operating funds and capital funds.

Section 45 of the *Municipalities Act* states:

The council of a municipality may establish a reserve fund for

- (a) expenses in respect of capital projects including the extension or replacement of existing capital works and expenses in respect of any land, machinery or equipment necessary for the completion of capital projects; and
- (b) the purchase, depreciation and replacement of machinery and equipment used for municipal purposes.

In addition, the *Charlottetown Area Municipalities Act* and *City of Summerside Act* state:

The council may establish a reserve fund for

- (c) the repayment of debentures
- (d) the provision of employee benefits.

Interest earned by the capital reserve fund should also remain in that fund unless there is a resolution of council which allows the interest to be taken into the general operating fund.

Appropriations from the general operating fund that are transferred to the capital reserve fund by the council are to be shown in the general operating fund as financing and transfers in arriving at current “surplus/deficit” for the year, and the amount of the appropriation is to be transferred to the separate capital reserve fund.

Funds authorized to be withdrawn and used to acquire physical assets are to be transferred directly to the capital fund into which the purchased assets are to be placed.

Reserve Funds are to be shown as part of municipal equity on the consolidated Statement of Financial Position.

3.8 Tangible Capital Assets

Local governments acquire physical assets that have economic lives extending beyond the accounting period. Such assets are available for use, may require operating and maintenance expenses and may need to be replaced in the future. They include assets such as equipment, buildings, land, roads, sewage collection systems and water distribution systems.

In accordance with PS 3150, beginning with fiscal years beginning on or after January 1, 2009, all municipalities will be required to record their physical assets in the Statement of Financial Position and amortize them on a rational and systematic basis.

The useful life of an asset is dependant upon the expected use. When estimating useful life the following factors would be considered:

- Expected future usage;
- Effects of technological obsolescence;
- Expected wear and tear over time;
- Maintenance program in place;
- Life of similar retired assets; and
- Condition of other comparable assets.

Amortization rates for Water and Sewer Utility assets are set by IRAC and should be followed for PSAB reporting purposes, unless the rates set by IRAC are deemed not to satisfy the above factors. It is up to each municipality to make this distinction.

Note: It is important not to assume that the useful economic life of an asset bears any direct relationship to the terms of the long-term debt put in place to finance those assets, except that the term of the debt should not exceed the useful life of the asset.

The cost of a tangible capital asset includes not only its purchase price or construction cost but also related charges necessary to place the asset in its intended location and condition for use. Such related charges may include freight and transportation charges, engineering costs, site preparation expenses, professional fees and interest costs incurred during construction.

Where municipalities are faced with establishing physical asset accounting records and valuations after many years of operation without such records, it may be necessary to estimate the cost at the time of acquisition from such documentary evidence as may be available.

Municipal governments may acquire assets by gift. Donated physical assets or assets acquired at nominal values should be recorded at fair market value at the time of acquisition.

Repairs to existing capital items are not to be capitalized unless the change is so significant as to enhance the service potential of the asset.

When an asset is replaced or disposed of, the original cost is to come out of the physical asset account with a corresponding decrease in the investment in capital assets account. If there are proceeds on the disposal, they are to be recorded as revenue of the Capital Fund from which the physical asset was disposed.

3.9 Inclusion of Interest in the Municipality's Estimated Requirements

The PSA Handbook indicates that all amounts owing at the end of the fiscal period be recorded. Therefore, interest costs should be accrued, rather than recognized on a cash basis.

It is recommended, therefore, that municipalities budget for interest on an accrual basis.

4. Municipal Financial Information Return Requirements

4.1 Contents of the Municipal Financial Information Return

To meet the reporting requirements of the Minister, the following financial statements and schedules (where applicable) must be completed in the Municipal Financial Information Return.

While a municipality's financial statements should be prepared on a consolidated basis in accordance with the guidance provided in the PSA Handbook, municipalities are also expected to provide certain schedules on a PSA Handbook-based, non-consolidated basis for the purposes of reporting to the Minister, as outlined below.

Con FP – Consolidated Statement of Financial Position
Con FA – Consolidated Statement of Financial Activities
Con CND – Consolidated Statement of Change in Net Debt
Con CFP – Consolidated Statement of Changes in Financial Position
GOP FP – Non-Consolidated Statement of Financial Position of the General Operating Fund
GOP FA – Non-Consolidated Statement of Financial Activities of the General Operating Fund
GOP FT – Non-Consolidated Schedule of Financing and Transfers of the General Operating Fund
GOP EXP – Non-Consolidated Schedule of General Operating Fund Expenses
GCF FP – Non-Consolidated Statement of Financial Position of the General Capital Fund
GCF FA – Non-Consolidated Statement of Financial Activities of the General Capital Fund
WSOP FP – Non-Consolidated Statement of Financial Position of the Water/Sewer Operating Fund
WSOP FA – Non-Consolidated Statement of Financial Activities of the Water/Sewer Operating Fund
WSCF FP – Non-Consolidated Statement of Financial Position of the Water/Sewer Capital Fund
WSCF FA – Non-Consolidated Statement of Financial Activities of the Water/Sewer Capital Fund
EOP FP – Non-Consolidated Statement of Financial Position of the Electric Operating Fund
EOP FA – Non-Consolidated Statement of Financial Activities of the Electric Operating Fund
ECF FP – Non-Consolidated Statement of Financial Position of the Electric Capital Fund
ECF FA – Non-Consolidated Statement of Financial Activities of the Electric Capital Fund
FD FP – Non-Consolidated Statement of Financial Position of the Fire Department
FD FA – Non-Consolidated Statement of Financial Activities of the Fire Department
RES FP – Non-Consolidated Statement of Financial Position of the Reserve Funds
RES FA – Non-Consolidated Statement of Financial Activities of the Reserve Funds
TCA – Schedule of Tangible Capital Assets
Debt – Schedule of Debenture and Other Term Debt Issued
Info – Schedule of Other Municipal Information
Notes – Notes to the Municipal Financial Information Return
Definitions – Line Number Dictionary

4.2 Information to be Reported on the Municipal Financial Information Return

The Municipal Financial Information Return should include:

- Actual financial results for the municipality;
- Budget for the municipality (for the general operating fund only); and
- Comparative financial results for the prior fiscal year.

The figures in the Municipal Financial Information Return are to be expressed in dollars. Cents are to be omitted. If certain comparative figures are changed to conform to the financial statement presentation adopted for the current year, this should be disclosed in the notes to the Municipal Financial Information Return.

4.3 Amounts to be Recorded in Each Line

Appendix A, Line Number Dictionary, provides direction on the amounts to be recorded in each line of the Municipal Financial Information Return.

4.4 Format for the Municipal Financial Information Return

The Municipal Financial Information Return can be completed in Excel and Lotus spreadsheet, or it can be printed and completed manually. However, the Department would encourage municipalities to prepare the template electronically, to facilitate the timely reporting of municipal indicators and other comparative financial information.

If completing the Municipal Financial Information Return in Excel or Lotus spreadsheets format, only those cells that are highlighted should be completed. All other cells are automatically calculated. If completed manually, all formulas will also have to be completed manually.

In addition to submitting the electronic version of the Municipal Financial Information Return, municipalities will be required to submit a printed version of the first page of the Municipal Financial Information Return, which is certified by the Treasurer (or Administrator if no Treasurer has been appointed) to indicate that the Municipal Financial Information Return has been completed in accordance with the relevant legislation and regulations and is consistent with the audited financial statements of the municipality.

While every effort has been made to ensure the accuracy of the Municipal Financial Information Return, the municipality maintains sole responsibility for the accuracy of the contents of the financial reporting prepared and submitted to the Minister.

4.5 Certification

The Municipal Financial Information Return must be certified by the Treasurer (or Administrator if no Treasurer has been appointed) of the municipality as having been prepared in accordance with this manual and as being consistent with the audited financial statements of the municipality. This certification should be provided on the hard-copy printed version of the Municipal Financial Information Return that is submitted to the Minister.

4.6.1 Con FP – Consolidated Statement of Financial Position

This statement should be used to report the municipality's consolidated financial position for all entities included in the municipality's consolidated financial statements. The municipality should refer to the PSA Handbook for guidance on preparing this schedule.

4.6.2 Con FA – Consolidated Statement of Financial Activities

This statement should be used to report the municipality's consolidated financial activities for all entities included in the municipality's consolidated financial statements. The consolidated financial activities should be prepared in accordance with the guidance provided in the PSA Handbook.

4.6.3 Con CND – Consolidated Statement of Change in Net Debt

This statement should be used to report the change in net debt for all entities included in the municipality's consolidated financial statements. The municipality should refer to the PSA Handbook for guidance on preparing this statement.

4.6.4 Con CFP – Consolidated Statement of Changes in Financial Position

This statement should be used to report the changes in financial position for all entities included in the municipality's consolidated financial statements. The municipality should refer to the PSA Handbook for guidance on preparing this statement.

4.6.5 GOP FP – Non-Consolidated Statement of Financial Position of the General Operating Fund

This statement should be used to report the non-consolidated financial position for the general operating fund only.

4.6.6 GOP FA – Non-Consolidated Statement of Financial Activities of the General Operating Fund

This statement should be used to report the non-consolidated financial activities for the general operating fund only.

4.6.7 GOP FT – Non-Consolidated Schedule of Financing and Transfers of the General Operating Fund

This schedule should be used to report the non-consolidated statement of financing and transfers. This includes all of the transactions related to the debt of the municipality, any accruals made to conform to the PSA Handbook that will be recovered in the future, transfers to and from own reserves, funds and agencies and any changes in surplus (deficit) accounts.

4.6.8 GOP EXP – Non-Consolidated Schedule of General Operating Fund Expenses

This schedule should be used to report the non-consolidated expenses for the general operating fund only.

General operating fund expenses should reflect all expenses accruing to external persons or organizations. These will normally include salaries and benefits, contracted services, purchases, provisions for allowances (net of recoveries from allowances previously established), transfers (grants) to other governments or organizations, bank charges, and interest charges on all current and long-term debt.

Internal transfers to reserves, funds, and functions and repayments of debt principal are not expenses, and instead should be reported on the Non-Consolidated Schedule of Financing and Transfers of the General Operating Fund (GOP FT).

Where an expense is recorded in an operating function (the originating function) and then re-allocated to another operating function (the destination function), the re-allocated amount should be reported as a reduction to the expense in the originating function, not as a revenue.

4.6.9 GCF FP – Non-Consolidated Statement of Financial Position of the General Capital Fund

This statement should be used to report the non-consolidated financial position of the General Capital Fund.

4.6.10 GCF FA – Non-Consolidated Statement of Financial Activities of the General Capital Fund

This statement should be used to report the non-consolidated financial activities for the General Capital Fund.

4.6.11 WSOP FP – Non-Consolidated Statement of Financial Position of the Water/Sewer Operating Fund

This statement should be used to report the non-consolidated financial position of the Water/Sewer Operating Fund. The amounts reported on this schedule should be reported in accordance with The IRAC Uniform System of Accounts for Municipal Utilities.

4.6.12 WSOP FA – Non-Consolidated Statement of Financial Activities of the Water/Sewer Operating Fund

This statement should be used to report the non-consolidated financial activities of the Water/Sewer Operating Fund. The amounts reported on this schedule should be reported in accordance with The IRAC Uniform System of Accounts for Municipal Utilities.

4.6.13 WSCF FP – Non-Consolidated Statement of Financial Position of the Water/Sewer Capital Fund

This statement should be used to report the non-consolidated financial position of the Water/Sewer Capital Fund. The amounts reported on this schedule should be reported in accordance with The IRAC Uniform System of Accounts for Municipal Utilities.

4.6.14 WSCF FA – Non-Consolidated Statement of Financial Activities of the Water/Sewer Capital Fund

This statement should be used to report the non-consolidated financial activities of the Water/Sewer Capital Fund. The amounts reported on this schedule should be reported in accordance with The IRAC Uniform System of Accounts for Municipal Utilities.

4.6.15 EOP FP – Non-Consolidated Statement of Financial Position of the Electric Operating Fund

This statement should be used to report the non-consolidated financial position of the Electric Operating Fund.

4.6.16 EOP FA – Non-Consolidated Statement of Financial Activities of the Electric Operating Fund

This statement should be used to report the non-consolidated financial activities of the Electric Operating Fund.

4.6.17 ECF FP – Non-Consolidated Statement of Financial Position of the Electric Capital Fund

This statement should be used to report the non-consolidated financial position of the Electric Capital Fund.

4.6.18 ECF FA – Non-Consolidated Statement of Financial Activities of the Electric Capital Fund

This statement should be used to report the non-consolidated financial activities of the Electric Capital Fund.

4.6.19 FD FP – Non-Consolidated Statement of Financial Position of the Fire Department

This statement should be used to report the non-consolidated financial position of the Fire Department.

4.6.20 FD FA – Non-Consolidated Statement of Financial Activities of the Fire Department

This statement should be used to report the non-consolidated financial activities of the Fire Department.

4.6.21 RES FP – Non-Consolidated Statement of Financial Position of the Reserve Funds

This statement should be used to report the non-consolidated financial position of the Reserve Funds.

4.6.22 RES FA – Non-Consolidated Statement of Financial Activities of the Reserve Funds

This statement should be used to report the non-consolidated financial activities of the Reserve Funds.

4.6.23 TCA – Schedule of Tangible Capital Assets

This schedule should be used to track the cost and accumulated amortization of all tangible capital assets of the municipality.

Column C should be used to report the determined cost of existing tangible capital assets at the beginning of the year (which should agree with the prior year reported balance).

Column D should be used to report any additional tangible capital assets purchased or constructed during the year being reported on.

Column E should be used to report any tangible capital assets sold or otherwise disposed of during the year being reported on.

Column F should be used to report any tangible capital assets that have been impaired or written-down during the year being reported on.

Column G should be used to report the ending cost balance of tangible capital assets. This is a calculated field based on Columns C, D, and E.

Column H should be used to report the amortization rates to be used for each category of tangible capital assets. Tangible capital asset amortization rates are to be based on the expected useful life of each tangible capital asset category.

Column I should be used to report the beginning balance of accumulated amortization of tangible capital assets (which should agree with the prior year reported balance).

Column J should be used to report the amortization expense for the year being reported on. This is a calculated field based on Columns G, H, and I.

Column K should be used to report the ending balance of the accumulated amortization for the year being reported on. This is a calculated field based on Columns I and J.

Column L should be used to report the net book value of the asset for the year being reported on. This is a calculated field based on Columns G and K.

4.6.24 Debt – Schedule of Debenture and Other Term Debt Issued

This schedule should be used to report the statement of debenture and other long-term debt issued. It should report all of the long-term debt, obligations under capital lease, and debenture and term loan debt issued by the municipality and its consolidated entities.

Column A should be used to report a written description of the debt, including which institution it is with, for what purpose, and the dates that it will become due.

Column B should be used to report the opening balance of each debt instrument (which should agree with the prior year reported balance).

Column C should be used to report any payments made on the debt instrument during the year being reported on, as well as any new advances of a debt instrument entered into during the year being reported on.

Column D should be used to report the ending balance of each debt instrument. This is a calculated field based on Columns B and C.

Column E should report the amount of interest expensed in the year and should be reported in relation to each debt instrument.

Column F should report the interest rate that each debt instrument bears.

4.6.25 Info – Schedule of Other Municipal Information

This schedule should be used to enter other relevant municipal information such as property assessments, contact information, council information, committee structure, building permit statistics and subdivision statistics.

5. Audited Financial Statements

5.1 Audited Financial Statements

Financial statements are intended to be prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) standards as outlined in the Public Sector Accounting (PSA) Handbook and the specific accounting policies outlined in this manual. Where the PSA Handbook is silent, the financial statements should follow the CICA Handbook.

Financial statements are prepared and owned by the municipality. The format and contents of the municipality's financial statements are therefore the sole responsibility of the municipality.

5.2 Auditor Appointment and Report

Section 27 of the *Municipalities Act* states:

27(1) Subject to subsection (4), every council shall appoint an auditor who shall audit the financial statements of the municipality.

27(2) The auditor shall be a person qualified to practice as a public accountant under the *Public Accounting and Auditing Act*.

27(3) The auditor shall make a report to the council on the financial statements of the municipality and shall state in this report whether, in their opinion, the financial statements referred to therein present fairly the financial position of the municipality and the results of operations during the immediately preceding year, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

27(4) The council of a community may by resolution passed at the annual general meeting dispense with the requirement imposed by subsection (1) to appoint an auditor if the budgeted expenditures of the community are less than the amount prescribed by regulations.

27(5) Where a resolution referred to in subsection (4) is passed, the administrator of the community shall so notify the Minister in writing.

Municipalities Act Regulations state:

1. For the purposes of subsection 27(4) of the Act the amount prescribed is \$50,000.

5.3 Generally Accepted Auditing Standards

The auditor should adhere to examination standards as outlined in the CICA Handbook.

In addition, the auditor must ensure that the municipality has performed its duties in accordance with the particular Act(s) and special legislation under which it is governed, including, but not limited to, the following:

- (a) The verification that all expenses incurred (capital and operating) were spent on items for which the municipality had authority;
- (b) The approval of municipal council for commitments and expenses incurred by the administration on behalf of the municipality;
- (c) Transfers to and from the reserve funds have been authorized by municipal council;
- (d) No council may borrow money for capital expenditures if the result of the borrowing would be to increase the debt of the municipality to an amount in excess of the percentage set forward in their respective guiding legislation of the current assessed value of real property in the municipality. This amount may be exceeded in exceptional circumstances with the approval of the Minister or Lieutenant Governor in Council.

Appendix A - Line Number Dictionary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

0031000 Cash and cash equivalents

Considered transitional or current in nature and are capable of reasonably prompt liquidation. Could include cash on hand, cash on deposit in a chartered bank or other financial institution, term deposits, treasury bills, investment certificates and marketable securities. Cash accounts with negative balances should be reported as a liability.

0032010 Taxes receivable

Can include all of the following items, which remain unpaid at the end of the reporting year: taxes receivable, including taxes, penalties and interest on taxes, tax sale certificates, tax arrears arrangements and other.

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

0032090 Other Receivables

Amounts due from federal government and its agencies; due from provincial or territorial government or its agencies; due from hospitals; due from other local governments; trade receivables, accrued receivables and other amounts claimed against a customer for goods or services sold in the ordinary course of business.

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

0037200 Other financial assets

Other assets that will generally be realized within the upcoming year.

0041000 Short-term borrowings

Includes amounts payable for borrowings from banks or other sources for the purpose of temporary financing. Generally all borrowings with a term of one year or less.

0042000 Payables

Includes all amounts owing at the end of the reporting year to the federal, provincial, or other local governments, all trade accounts payable and accrued liabilities.

A trade account payable is a debt for goods or services purchased in the ordinary course of business.

An accrued liability is a developing, but not yet enforceable, claim by another person, which is accumulating with the passage of time or the receipt of service. It arises from the purchase of services (including the use of money) that have been only partly performed at the time of accounting and hence are not yet billed or paid for. This could include:

- accounts arising from the purchase of goods or services for the municipality's own consumption or use, including purchases from other governments;
- accrued interest on borrowings;
- accrued rents on leased or rented property;
- accrued vacation payable.

0043000 Long term debt

Long-term obligations arising from a borrowing, including lease obligations on assets that are recorded as property of the municipality. A borrowing with a repayment term of more than one year would normally be considered a long term debt for reporting purposes.

0044000 Other liabilities

Liability balances that are not included in the payable categories defined above and that are expected to be realized within one year of the reporting date.

They normally include prepayment of taxes, unexpended special assessment, deferred revenue and other.

0055000 Capital assets (net of accumulated amortization)

Assets owned by the municipality that are not financial in nature. These assets should be segregated after net financial assets for presentation purposes.

0056000 Contributions in aid of construction

Amounts received directly funding purchase or construction of fixed assets.

0057100 Inventory not held for resale

Inventory held that will not be resold to the public, but will be consumed during the delivery of services to residents.

0057200 Prepaid expenses

Any amounts expended in the current period that relate to expenses of future periods.

1090010 General operating fund

Shows the cumulative earnings to date of the general operating fund.

2090020 General capital fund

Shows the cumulative earnings to date of the general capital fund.

3090030 Water/Sewer operating fund

Shows the cumulative earnings to date of the water/sewer operating fund.

3590035 Water/Sewer capital fund

Shows the cumulative earnings to date of the water/sewer capital fund.

5090050 Reserve funds

Shows the cumulative balance to date of the reserve funds.

0090091 Investment in capital assets

The cumulative additions and disposals of the investment in capital assets to date. These would be represented by asset additions, debt repayments and other transactions of the capital funds.

0090095 Other Funds

The cumulative earnings of the fund to date.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

0011000 Assessable property taxes

The gross municipal portion of all property taxes and grants in place, levied or collected.

0012000 Grants in lieu of taxes

All business taxes and grants in lieu, levied or collected. All business taxes and grants in place should be reported as revenue of the operating fund.

0013000 Services provided to other governments

Revenue from the sale of goods or services to federal, provincial, or local governments and their agencies, which are, or will be, used by that government to supply a good or service to its citizens that it would normally be responsible for providing.

It should not be used to report services that are consumed directly by other governments.

This category may include the following services provided to other governments:

- road maintenance;
- snow removal;
- supply of water;
- treatment of wastewater;
- garbage collection;
- fire protection;
- police protection.

0014000 Sales of services

Revenue from the sales of goods and services to individuals, organizations, corporations or other governments, except for sales reported as "Services provided to other governments."

0015000 Other revenue from own sources

All revenue from other categories on the tax roll.

This category may include the following services:

- licenses and permits;
- fines;
- rentals;
- concessions and franchises;
- return on investments;
- penalties and interest on taxes; and
- other services.

0016000 Unconditional transfers from other governments

Entitlements and grants from other governments for which the municipality has full discretion as to their use.

0017000 Conditional transfers from federal or provincial governments or agencies

Entitlements, transfers under shared cost agreements, and grants from the federal or provincial government, to which conditions are attached or which the municipality can only use for specified purposes.

A transfer to be used for a specific purpose or purposes is a conditional transfer.

0018000 **Conditional transfers from other local governments**

Entitlements transfers under shared cost agreements, and grants from other governments.

0021000 **General government services**

Activities that provide for the overall operation of the municipality and that are common to, or affect all of the services provided by, the municipality.

0022000 **Protective services**

Activities that provide for the public safety of the inhabitants of the municipality.

0023000 **Transportation services**

Activities related to public transportation, including road transport, air transport, water transport and public transit.

0024000 **Other municipal services**

Miscellaneous activities not attributable to other groupings.

0025000 **Facilities and public property**

Activities related to the upkeep and operations of the municipality's facilities and public property.

0026000 **Environmental development services**

Activities that support and control the municipality's physical and economic development.

0027000 **Recreation and cultural services**

Activities that provide recreation and cultural services.

0029000 **Extraordinary or special items**

Activities that are not specifically identifiable with the above noted expenses and are considered extraordinary or non-recurring.

0029030 **Net water/sewer fund revenues/expenses**

The net amounts of revenues over expenses incurred by the water/sewer operating and capital funds.

0029040 **Net electric fund revenues/expenses**

The net amounts of revenues over expenses incurred by the electric operating and capital funds.

0061000 **Proceeds of issuance of debt**

The proceeds of any new debt issued during the period.

0062000 **Debenture and term loan principal installments**

The principal repayments of debt made during the period.

0066000 Transfers from (to) own reserves, funds and agencies

Transfers from (to) the municipality's reserves, funds or agencies for internal financing purposes. This should not be used to report revenues or expenses.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

0000010 Change in fund balances

The change in fund balances from the previous year.

0000011 Depreciation

Depreciation expense for the year is added back as it is a non-cash item.

0000012 Change in reserves

The change in reserve funds balance from the previous year.

0000013 Change in investment in capital assets

The change in investment in capital assets from the previous year.

0000020 Change in taxes receivable (net of asset valuation allowance)

The change in the balance of taxes receivable from the previous year.

0000030 Change in other receivables (net of asset valuation allowance)

The change in the balance of other receivables from the previous year.

0000050 Change in other financial assets

The change in the balance of other financial assets from the previous year. Includes inventories held for resale.

0000060 Change in payables

The change in the balance of payables from the previous year.

0000065 Change in prepaid expenses

The change in the balance of prepaids from the previous year.

0000070 Change in other liabilities

The change in the balance of other liabilities from the previous year.

0000080 Change in short-term debt

Short-term borrowings or retirement of short-term debt in the current year.

0000090 Change in long-term debt

Long-term borrowings or retirement of long-term debt or other debentures in the current year.

0000091 Retirement of tangible capital assets

Removes the gain or loss on retirement/disposal of capital assets from the change in fund balances.

0000092 **Purchase of tangible capital assets**

Cash outlays in the purchase or construction of tangible capital assets.

0000093 **Contributions in aid of construction**

Capital contributions by federal, provincial, or other agencies in the purchase or construction of tangible capital assets.

0031000 **Cash and cash equivalents**

Considered transitional or current in nature and are capable of reasonably prompt liquidation. Could include cash on hand, cash on deposit in a chartered bank or other financial institution, term deposits, treasury bills, investment certificates and marketable securities. Cash accounts with negative balances should be reported as a liability.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GENERAL OPERATING FUND

1031000 **Cash and cash equivalents**

Considered transitional or current in nature and are capable of reasonably prompt liquidation. Could include cash on hand, cash on deposit in a chartered bank or other financial institution, term deposits, treasury bills, investment certificates and marketable securities. Cash accounts with negative balances should be reported as a liability.

1032000 **Taxes receivable**

Can include all of the following items, which remain unpaid at the end of the reporting year: taxes receivable, including taxes, penalties and interest on taxes, tax sale certificates, tax arrears arrangements and other.

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

1032090 **Other Receivables**

Amounts due from federal government and its agencies; due from provincial or territorial government or its agencies; due from hospitals; due from other local governments; trade receivables, accrued receivables and other amounts claimed against a customer for goods or services sold in the ordinary course of business.

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

1037200 **Other financial assets**

Other assets that will generally be realized within the upcoming year.

1041000 **Short-term borrowings**

Includes amounts payable for borrowings from banks or other sources for the purpose of temporary financing. Generally all borrowings with a term of one year or less.

1042000 **Payables**

Includes all amounts owing at the end of the reporting year to the federal, provincial, or other local governments, all trade accounts payable and accrued liabilities. A trade account payable is a debt for goods or services purchased in the ordinary course of business.

An accrued liability is a developing, but not yet enforceable, claim by another person, which is accumulating with the passage of time or the receipt of service. It arises from the purchase of services (including the use of money) that have been only partly performed at the time of accounting and hence are not yet billed or paid for. This could include:

- accounts arising from the purchase of goods or services for the municipality's own consumption or use, including purchases from other governments;
- accrued interest on borrowings;
- accrued rents on leased or rented property;
- accrued vacation payable.

[1044000](#) **Other liabilities**

Liability balances that are not included in the payable categories defined above and that are expected to be realized within one year of the reporting date.

They normally include prepayment of taxes, unexpended special assessment, deferred revenue and other.

[1057210](#) **Inventory not held for resale**

Inventory held that will not be resold to the public, but will be consumed during the delivery of services to residents.

[1057100](#) **Prepaid expenses**

Any amounts expended in the current period that relate to expenses of future periods.

[1090010](#) **General operating fund**

Shows the cumulative earnings to date of the general operating fund.

NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES OF THE GENERAL OPERATING FUND

[0011000](#) **Assessable property taxes**

The gross municipal portion of all property taxes and grants in place, levied or collected.

[0012000](#) **Grants in lieu of taxes**

All business taxes and grants in lieu, levied or collected. All business taxes and grants in place should be reported as revenue of the operating fund.

[0013000](#) **Services provided to other governments**

Revenue from the sale of goods or services to federal, provincial, or local governments and their agencies, which are, or will be, used by that government to supply a good or service to its citizens that it would normally be responsible for providing.

It should not be used to report services that are consumed directly by other governments.

This category may include the following services provided to other governments:

- road maintenance;
- snow removal;
- supply of water;
- treatment of wastewater;
- garbage collection;
- fire protection;
- police protection.

[0014000](#) **Sales of services**

Revenue from the sales of goods and services to individuals, organizations, corporations or other governments, except for sales reported as "Services provided to other governments."

[0015000](#) **Other revenue from own sources**

All revenue from other categories on the tax roll.
This category may include the following services:

- licenses and permits;
- fines;
- rentals;
- concessions and franchises;
- return on investments;
- penalties and interest on taxes; and
- other services.

[0016000](#) **Unconditional transfers from other governments**

Entitlements and grants from other governments for which the municipality has full discretion as to their use.

[0017000](#) **Conditional transfers from federal or provincial governments or agencies**

Entitlements, transfers under shared cost agreements, and grants from the federal or provincial government, to which conditions are attached or which the municipality can only use for specified purposes.
A transfer to be used for a specific purpose or purposes is a conditional transfer.

[0018000](#) **Conditional transfers from other local governments**

Entitlements transfers under shared cost agreements, and grants from other governments.

[0021000](#) **General government services**

Activities that provide for the overall operation of the municipality and that are common to, or affect all of the services provided by, the municipality.

[0022000](#) **Protective services**

Activities that provide for the public safety of the inhabitants of the municipality

[0023000](#) **Transportation services**

Activities related to public transportation, including road transport, air transport, water transport and public transit.

[0024000](#) **Other municipal services**

Miscellaneous activities not attributable to other groupings.

[0025000](#) **Facilities and public property**

Activities related to the upkeep and operations of the municipality's facilities and public property

[0026000](#) **Environmental development services**

Activities that support and control the municipality's physical and economic development.

[0027000](#) **Recreation and cultural services**

Activities that provide recreation and cultural services.

[1061000](#) **Debenture and term loan principal installments**

The principal portion of long term debt payments in the year (from "Debt" tab)

[1066000](#) **Transfers from (to) own reserves, funds and agencies**

Transfers to or from the municipality's own reserves, funds or agencies for internal financing purposes.

NON-CONSOLIDATED SCHEDULE OF FINANCING AND TRANSFERS OF THE GENERAL OPERATING FUND

[1061010](#) **Debenture and term loan principal installments**

Principal repayments of debenture and term loan debt made during the period. This amount is brought directly from the "Debt" tab.

[1061030](#) **Temporary financing principal - capital projects**

The principal repayments made on financing used on a temporary basis. For example, if a bank loan or line of credit is used during construction as a financing measure until a debenture can be issued, this is where the municipality would report the principal repayment of that bank loan or line of credit.

[1066010](#) **Transfer (to) - operating reserve**

Transfers from current year surplus to the operating reserve funds.

[1066020](#) **Transfer (to) - capital reserve**

Transfers from current year surplus to the capital reserve funds.

[1066030](#) **Transfer (to) - general capital fund**

Transfers from current year surplus to the general capital fund.

[1066090](#) **Transfer (to) - other**

Other transfers from the current year surplus.

[1067010](#) **Transfer from - operating reserve**

Transfers from the operating reserve funds to the current year's operations.

[1067020](#) **Transfer from - capital reserve**

Transfers from the capital reserve funds to the current year's operations.

[1067030](#) **Transfer from - general capital fund**

Transfers from the general capital fund to the current year's operations.

- [1067090](#) **Transfer from - other**
Other transfers to the current year surplus.
- [1068010](#) **Deficit or levy for water/sewer utility**
Funding of utility deficits or levying utility surpluses.
- [1068090](#) **Other - Specify**
- [1069095](#) **Use of prior years' surpluses**
Prior years' "surpluses" being utilized in the current period.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GENERAL CAPITAL FUND

- [2032000](#) **Receivables (net of asset valuation allowances)**
Amounts due to the municipality which relate to the capital fund.
- [2037200](#) **Other financial assets**
Assets that will generally be realized within the upcoming year.
- [2043000](#) **Long-term debt**
Long-term obligations arising from a borrowing, including lease obligations on assets, which are recorded as property of the municipality. A borrowing with a repayment term of more than one year would normally be considered a long-term debt for reporting purposes.
This line is taken directly from the "Debt" tab, the total of all long term debt of the general funds related to the purchase or construction of tangible capital assets.
- [2044000](#) **Other liabilities**
Liabilities related to the capital fund that are expected to be realized within one year of the reporting date.
- [2055000](#) **Capital assets (net of accumulated amortization)**
The total amount of tangible capital assets (net of accumulated amortization) of the general fund (this amount is brought directly from the "TCA" tab).
- [2057210](#) **Inventory not held for resale**
Inventory held that will not be resold to the public, but will be consumed during the delivery of services to residents.
- [2011000](#) **Capital contributions**
Amounts received by governmental entities by the fund.
- [2012000](#) **Recovery from outside sources**
Any other types of revenues the fund receives from external parties.

- [2013000](#) **Proceeds on sale of assets**
Amounts received on sale of assets by the municipality, where the regulations mandate that such sales proceeds go into a reserve account.
- [2021000](#) **General government services**
Activities that provide for the overall operation of the municipality and that are common to, or affect all of the services provided by, the municipality.
- [2022000](#) **Protective services**
Activities that provide for the public safety of the inhabitants of the municipality
- [2023000](#) **Transportation services**
Activities related to public transportation
- [2024000](#) **Environmental health services**
Activities that provide environmentally regulated services, including sewage collection.
- [2025000](#) **Public health services**
Activities that provide assistance to disadvantaged individuals and promote the health of individuals.
- [2026000](#) **Environmental development services**
Activities that support and control the municipality's physical and economic development.
- [2027000](#) **Recreation and cultural services**
Activities that provide recreation and cultural services.
- [2029000](#) **Other municipal services**
Miscellaneous activities not attributable to other groupings.
- [2061000](#) **Principal repayments (proceeds) on issuance of debt**
The total principal repayments on long term debt net of any proceeds on issuance of new debt in the capital fund during the year.
- [2065010](#) **Transfer from (to) own reserves, funds and agencies**
Transfers from (to) the municipality's reserves, funds or agencies for internal financing purposes. This should not be used to report revenues or expenses.
- [2069090](#) **Changes in equity**
Use of prior years' surpluses used to cover current shortfalls or to fund prior years' "deficits" incurred for a particular fund.
- [2000000](#) **Beginning fund balance**
The beginning fund balance for the general capital fund.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE WATER/SEWER OPERATING FUND

3031000 Cash and cash equivalents

Considered transitional or current in nature and are capable of reasonably prompt liquidation. Could include cash on hand, cash on deposit in a chartered bank or other financial institution, term deposits, treasury bills, investment certificates and marketable securities. Cash accounts with negative balances should be reported as a liability.

3032001 Rates receivable

Water/Sewer billings uncollected at year end.

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

3032002 Province of PEI receivable

Amounts due from provincial or territorial government or its agencies

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

3032003 Due from other funds

Amounts due from other funds (Water/Sewer Capital fund, General funds, etc.)

3032004 Other

Other receivables not attributable to the previous classifications.

3037210 Inventory not held for resale

Inventory held that will not be resold to the public, but will be consumed during the delivery of services to residents.

3042001 Due to other funds

Amounts due to other funds (Water/Sewer Capital fund, General funds, etc.)

(all interfund payables/receivables should be netted to zero upon consolidation).

3042002 Other payables and accruals

Includes all amounts owing at the end of the reporting year to the federal, provincial, or other local governments, all trade accounts payable and accrued liabilities.

A trade account payable is a debt for goods or services purchased in the ordinary course of business.

An accrued liability is a developing, but not yet enforceable, claim by another person, which is accumulating with the passage of time or the receipt of service. It arises from the purchase of services (including the use of money) that have been only partly performed at the time of accounting and hence are not yet billed or paid for. This could include:

- accounts arising from the purchase of goods or services for the municipality's own consumption or use, including purchases from other governments;
- accrued interest on borrowings;
- accrued rents on leased or rented property;
- accrued vacation payable.

NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES OF THE WATER/SEWER OPERATING FUND

[Line Numbers 3010100 to 3029000 should be used to report revenues and expenses related to the Water/Sewer Operating Fund.](#)

Specific direction on the contents of each line should be determined in reference to the chart of accounts in The IRAC Uniform System of Accounts for Municipal Utilities Manual.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE WATER/SEWER CAPITAL FUND

[Line Numbers 3511000 to 3526000 and 3531000 to 3557210 should be used to report revenues and expenses and financial assets, liabilities, and non-financial assets related to the Water/Sewer Capital Fund.](#)

Specific direction on the contents of each line should be determined in reference to the chart of accounts in The IRAC Uniform System of Accounts for Municipal Utilities Manual.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESERVE FUNDS

[5031000](#) **Cash and cash equivalents**

Considered transitional or current in nature and are capable of reasonably prompt liquidation. Could include cash on hand, cash on deposit in a chartered bank or other financial institution, term deposits, treasury bills, investment certificates and marketable securities. Cash accounts with negative balances should be reported as a liability.

[5032000](#) **Receivables**

Can include all of the following items, which remain unpaid at the end of the reporting year: taxes receivable, including taxes, penalties and interest on taxes, tax sale certificates, tax arrears arrangement and other; due from federal government and its agencies; due from provincial government and its agencies; due from hospitals; due from other local governments; trade receivables, accrued receivables and other.

[5037200](#) **Other financial assets**

Any other assets not included in the above classifications that are expected to be realized within the upcoming year.

[5042000](#) **Payables**

Includes all amounts owing at the end of the reporting year to the federal, provincial, or other local governments, all trade accounts payable and accrued liabilities. A trade account payable is a debt for goods or services purchased in the ordinary course of business.

An accrued liability is a developing, but not yet enforceable, claim by another person, which is accumulating with the passage of time or the receipt of service. It arises from the purchase of services (including the use of money) that have been only partly performed at the time of accounting and hence are not yet billed or paid for. This could include:

- accounts arising from the purchase of goods or services for the municipality's own consumption or use, including purchases from other governments;
- accrued interest on borrowings;
- accrued rents on leased or rented property;
- accrued vacation payable.

[5044000](#) **Other liabilities**

Liability balances that are not included in the payable categories defined above and that are expected to be realized within one year of the reporting date.

They normally include prepayment of taxes, unexpended special assessment, deferred revenue and other.

[5012000](#) **Interest**

Amounts received on a fund's cash balances maintained during the year end that is being reported.

[5014000](#) **Others - Specify**

[5064000](#) **Transfers (from) to own reserves, funds and agencies**

Transfers (from) to the municipality's reserves, funds or agencies for internal financing purposes.

This should not be used to report revenues or expenses.

[5069090](#) **Changes in equity**

Use of prior years' surpluses used to cover current shortfalls or to fund prior years' "deficits" incurred for a particular fund.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

[0091000](#) **Change in operating funds**

This is the change in consolidated fund balances (Capital and Operating) from the previous year.

This amount comes directly from the consolidated statement of financial position.

[0055000](#) **Acquisition of tangible capital assets**

Increase in tangible capital assets during the year (linked to TCA schedule).

[0056000](#) **Contributions in aid of construction**

Amounts received directly funding purchase or construction of fixed assets.

[0050950](#) **Change in reserves**

This is the change in consolidated reserve balance from the previous year.

This amount comes directly from the consolidated statement of financial position.

[0057100](#) **Acquisition of supplies inventories**

This is the ending current year balance of inventories not held for resale.

It is assumed that this inventory will turn over on a yearly basis and therefore the ending balance of the previous year is considered to be consumed.

These amounts come directly from the consolidated statement of financial position

[0057200](#) **Acquisition of prepaid expenses**

This is the ending current year balance of prepaid expenses.

It is assumed that these prepaids will turn over on a yearly basis and therefore the ending balance of the previous year is considered to be consumed.

These amounts come directly from the consolidated statement of financial position.

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE FIRE DEPARTMENT

8031000 **Cash and cash equivalents**

Considered transitional or current in nature and are capable of reasonably prompt liquidation. Could include cash on hand, cash on deposit in a chartered bank or other financial institution, term deposits, treasury bills, investment certificates and marketable securities. Cash accounts with negative balances should be reported as a liability.

8032001 **Receivables (net of asset valuation allowances)**

Receivables from outside parties.

All receivables should be reported net of allowances for amounts that are expected to be uncollectible.

8032003 **Due from other funds**

Amounts due from other funds (General Capital fund, General Operating funds, etc.)

8032004 **Other**

Other receivables not attributable to the previous classifications.

8057100 **Inventory (supplies)**

Inventory held that will not be resold to the public, but will be consumed during the delivery of services to residents.

8042001 **Due to other funds**

Amounts due to other funds (General Capital fund, General Operating funds, etc.)
(all interfund payables/receivables should be netted to zero upon consolidation).

8042002 **Other payables and accruals**

Includes all amounts owing at the end of the reporting year to the federal, provincial, or other local governments, all trade accounts payable and accrued liabilities.

A trade account payable is a debt for goods or services purchased in the ordinary course of business.

An accrued liability is a developing, but not yet enforceable, claim by another person, which is accumulating with the passage of time or the receipt of service. It arises from the purchase of services (including the use of money) that have been only partly performed at the time of accounting and hence are not yet billed or paid for. This could include:

- accounts arising from the purchase of goods or services for the municipality's own consumption or use, including purchases from other governments;
- accrued interest on borrowings;
- accrued rents on leased or rented property;
- accrued vacation payable.