



## **POLICY NO. 92**

### **VALUATION ALLOWANCES**

**BE IT ENACTED** by the Council of Region of Queens Municipality, under the authority of the Municipal Government Act, S.N.S. 1998, Chapter 18, as follows: This policy shall be known as Policy Number 92 and may be cited as "Valuation Allowance Policy".

#### **POLICY PURPOSE**

The purpose of this policy shall be to provide the methodology to calculate the Valuation Allowances for each fiscal year. This methodology will apply to all Accounts Receivable accounts.

#### **AUTHORITY**

Financial Reporting and Accounting Manual (FRAM): Section 3.4 (a) "Taxes and rates receivable represent that uncollectible 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."

Public Sector Accounting Standard PS 1201.051: "Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances.

Section 38 of the *Municipal Government Act* provides that:

"The treasurer shall promptly advise the council of

(a) all moneys due to the municipality that the treasurer considers cannot reasonably be collected after pursuing all reasonable avenues of collection; and

(b) the reasons for the belief that such moneys cannot be collected, and the council may write off the amounts determined to be uncollectible. "

It is the value of these uncollectible accounts that make up the Valuation Allowance.

## **DEFINITIONS**

"taxes" includes municipal rates, area rates, special purpose tax, change in use tax, forest property tax, recreational property tax, capital charges, one-time charges, local improvement charges and any rates, charges or debts prescribed by the enactment authorizing them, to be a lien on the property.

"payment arrangement" includes an agreement authorized between customer and Region of Queens Municipality to recover outstanding amounts on Tax, Water Utility and Sewer accounts.

"valuation allowance" means an account whose value is determined by the amount of uncollectible accounts by the Treasurer, being reviewed at the end of each fiscal year and appearing on the Statement of Financial Position as a contra account to its respective Accounts Receivable account.

"user charges" include fees for water, sewer and solid waste facility usage.

"write-off" is the process by which the municipality allocates any amounts that are deemed uncollectible from accounts outstanding into its valuation allowance fund, where such accounts have been assessed and setup as an accounts receivable.

## **METHODOLOGY - TAX**

Each Accounts Receivable account is reviewed at the assessment account number level. The balance due is broken out by year as of the last day of the

fiscal year. This report prepared by the Tax Clerk will exclude credit balances, and be provided to Manager of Finance. When an account balance enters the thirty three month threshold, the entire balance is added to the Valuation Allowance for that respective Accounts Receivable account. This ensures that the total uncollectible amount for all years is considered uncollectible, including current charges. The total of each of these individual accounts will constitute the balance of the Valuation Allowance.

If an individual has an active payment arrangement in place, their account will not be included in the Valuation Allowance.

Outstanding balance is to include any interest accrued up to the fiscal year end.

Illustration:

Taxes are billed in June.

20X0 - Billed Year 0

20X1 – March 31, 20X1; Internal collection process in progress. Accounts now 9 months in arrears

20X2 – March 31, 20X2: Internal collection process continues. Accounts now 21 months in arrears.

March 31, 20X3 – Any accounts billed in 20X0 and still outstanding are deemed uncollectible and the entire balance is then included in the year end Valuation Allowance. Accounts now thirty three months (21+12) in arrears. Policy 4 Payment of Taxes reads, "Any tax account which is assessed as being taxable according to the Assessment Act of Nova Scotia, and is more than two years in arrears of taxes, shall be subject to immediate tax sale proceedings, regardless of the amount of taxes outstanding." Tax sale proceedings will be initiated.

When there is a recovery/payment on any of these accounts, the Valuation Allowance for that respective account is reduced with the offset account being

the Accounts Receivable sub-ledger. The recovered funds are posted to a recovery account as revenue in the cost center to which the receivable applies at the time of the recovery for the current fiscal year.

As part of the year-end process the previous year's balance of the Valuation Allowance (less any recoveries) is compared to the current year's calculated balance. The difference between these balances determines the proposed uncollectible tax expense/recovery for the current fiscal year.

The annual budget process to determine uncollectible taxes expense will include a review of the outstanding balances in years 20X1 and 20X2 as of January 31 and factoring in collection history, estimate the following year's Valuation Allowance. The current year's (20X0) valuation allowance will also have to be estimated, as the final balance cannot be determined until March 31.

A report shall be prepared annually by Manager of Finance providing detail for the writing off of accounts and therefore determining the uncollectible tax expense for the year, and presented to Council for approval.

### **Methodology - OTHER**

Each Accounts Receivable account is reviewed at the customer/user level. The balance due is broken out by year as of the last day of the fiscal year. These reports prepared by the Accounts Receivable Clerk will exclude credit balances, and will be provided to Manager of Finance. When an account balance has been over due for twelve months, the entire balance is added to the Valuation Allowance for that respective Accounts Receivable account. This ensures that the total uncollectible amount for all years is considered uncollectible, including current charges. The total of each of these individual accounts will constitute the balance of the Valuation Allowance – Other.

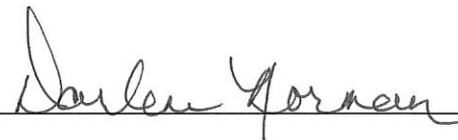
### **EFFECTIVE DATE**

This policy shall take effect from the date of approval by Council.

**OFFICIAL CERTIFICATION**

**THIS IS TO CERTIFY THAT** this policy was passed by the Council of Region of Queens Municipality at a duly constituted meeting of said Council held on the 23 day of November , 2021.

**SIGNED** by the Mayor and Deputy Clerk this 24th day of November, 2021.



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Mayor



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Deputy Clerk

Recommended by Audit and Internal Control Committee: November 8, 2021

Adopted by Council: November 23, 2021