

3(3) Specific Expenditures, Liabilities and Debt Accounting Policies

3(3)(a) Inclusion of Interest in the Municipality's Estimated Requirements

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

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

3(3)(b) Expense Reimbursement Policy

- i. **Definition** – The expense reimbursement policy should provide provisions and guidelines for expenditures incurred by council members and employees for which reimbursement was provided by a municipality or village for conducting municipal or village business. Included in the definition of employee reimbursement is employee advances. An employee advance is an authorized amount that may be claimed in lieu of actual expenditures for a specific item.
- ii. **Requirement for a Policy**– Each municipality and village must adopt a written expense reimbursement policy. By the January 31st immediately following a regular election council shall review the expense policy; either re-adopt or adopt an amended policy.
- iii. **Required Policy Content** – Municipalities and villages' expense reimbursement policy must:
 - (a) apply to all employees in the municipality or village, as well as apply to every reportable individual³;
 - (b) outline individual responsibility;
 - (c) establish the expenditures that may be eligible for reimbursement, including any restrictions;
 - (d) prohibit the municipality from reimbursing expense claims for alcohol purchases by an individual;

³ Reportable individual refers to an individual who holds one of the following positions:

- For municipalities – mayor or warden, councillor or chief administration officer, including an employee of municipality delegated any of the responsibilities or powers of the chief administrative officer pursuant to MGA clause 29(b)
- For a village -village commissioner or village clerk

- (e) prohibit the municipality from reimbursing travel expenses for individuals who are not a reportable individual or an employee of the municipality or village;
- (f) identify any preapproval process (i.e. out-of-province travel);
- (g) identify the persons who have signing authority to authorize the reimbursement of an expense;
- (h) prohibit a person from authorizing his/her own expense claim;
- (i) include a clause that employees will only be reimbursed for costs they have incurred (for example prohibits claiming per diem for meals provided at meetings/conferences and/or when group meals are covered by one individual);
- (j) set out rules respecting the use of employee advances including repayment terms;
- (k) where applicable, set out rules respecting the use of corporate credit cards which include but not limit to:
 - i. prohibit the use of travel advances if individual has a corporate credit card;
 - ii. prohibit the use of corporate credit cards for cash advances and personal expenses;
 - iii. prohibit reimbursement for interest incurred on a corporate credit card;
- (l) require claimants to submit business reason for expense along with detailed/itemized receipts to support expenditures. Any exceptions where detailed receipts are not required, should be outlined in the policy (for example, per diem meals);
- (m) prohibit expenses being submitted on behalf of others;
- (n) require all travel related expenses to be reported on an expense claim and prohibit the use of petty cash for travel and professional development reimbursement;
- (o) where applicable, include mileage and per diem rates in policy;
- (p) where applicable, set out rules respecting claiming mileage;
- (q) require submission of expense within pre-determined timeframe;
- (r) include a clause that any fraudulent irregularity, misuse or misappropriation of municipal funds, may include, without limitations, disciplinary action, not excluding termination; and
- (s) include a clause referring to the municipality or village's documented policy or process relating to the reporting suspicious activity and potential misuse of funds.

- iv. **Reporting Requirements – Pursuant to MGA 65A (1-6) a municipality and village shall:**
 - (a) Prepare and post an expense report for each reportable individual within 90 days of the end of each fiscal quarter on their reportable reimbursements⁴.
 - (b) The quarterly expense report must be posted on a publicly available website;
 - (c) Prepare an annual summary report to be filed with the Minister by September 30th of each year.
 - (d) The annual a summary report must comply with Section 4(4)(b)(i).
- iv. **Financial Statement Presentation - Pursuant to MGA 451 (1)(b) a municipality and village shall include Remuneration and Expenses for Elected Officials and CAO/Clerk Schedule in the Audited Financial Statements' notes. See 4(1)(b)(ii)(a) for specific note/schedule requirements.**
- v. **Additional Audit and Review Requirements**
 - (a) Annually the municipality or village's Audit Committee must review the annual summary of Remuneration and Expenses for Reportable Individuals.
 - (b) **It is recommended, at a minimum, a municipality or village conduct a special purpose engagement on internal controls, at least once, within a four-year.**

3(3)(c) Hospitality Policy

- i. **Definition –** A hospitality policy should provide provisions and guidelines for expenditures incurred while hosting individuals from outside of a municipality or village for conducting business activities which would include receptions, ceremonies, conferences, or other group events.
- ii. **Requirement for Policy–** Each municipality and village must adopt a hospitality policy. By the January 31st immediately following a regular election council shall review the hospitality policy; either re-adopt or adopt an amended policy.
- iii. **Required Policy Content –** Municipalities and villages' hospitality policy must:

⁴ Reportable reimbursements for both quarterly and annual reports shall include the following expense categories:

- Travel and travel related expenses, including accommodation, incidentals and transportation;
- Meals; and
- Professional development and training

- (a) Apply to every reportable individual and employee in the municipality or village;
 - (b) Establish the approval process for authorizing hospitality expenses;
 - (c) Prohibit a person from authorizing his/her own claim;
 - (d) Require hospitality expenditures be preauthorized (Any exceptions require submission of detail reasoning why prior approval was not sought, prior to reimbursement);
 - (e) Establish the scope and applicability of the policy (circumstances when hospitality may be offered), and identify any restrictions;
 - (f) Establish the expenditures, including alcohol purchases, that qualify as a hospitality expense;
 - (g) Require that hospitality claims include name, and position of guest(s); as well as the business objective for the expenditure.
 - (h) Require detailed/itemized receipts to support hospitality claims.
- v. **Reporting Requirements** – Pursuant to MGA 65A (3-6) a municipality or village shall:
- (a) Prepare and post a hospitality expense report within 90 days of the end of each fiscal quarter;
 - (b) The quarterly expense report must be posted on a publicly available website;
 - (c) Prepare an annual summary schedule to be filed with the Minister by September 30th of each year, and
 - (d) The annual summary report must comply with the financial reporting requirements outlined in Section 4(4)(b)(ii)
- vi. **Additional Review Requirements** – Annually the municipality or village's Audit Committee must review the Hospitality Annual Summary Schedule.

3(3)(e) Long-Term Commitments

- i. **Authority** - A municipality may enter a lease, lease-purchase or other commitment to pay money over a period extending beyond the end of the current fiscal year.
- ii. **When Ministerial Authorization Is Required** –
 - (a) In accordance with section 88(4) of the Municipal Government Act, where the total cumulative commitment exceeds \$100,000, the proposed commitment must be approved by the Minister of Municipal Affairs in advance.
 - (b) Where the actual dollars to be expended, including carrying costs, exceed \$100,000, approval must be obtained from the Minister (e.g., six-year commitment at \$17,000/year would require Ministerial approval). Halifax Regional Municipality please refer to Section 111 (5) of the Halifax Regional Municipality Charter, threshold is \$500,000.