Joel Macon Mayor

Lonnie Lashley Councilman

Bob Lewis Councilman



Pat Efird Mayor Pro Tem

> Dan Wilcox Councilman

Timothy Owens Town Manager

Town of Carolina Beach Policy for Write-Off of Uncollectible Accounts Receivables

Purpose:

This policy's purpose is to establish uniform guidelines for determining delinquent accounts receivable which should be considered as ultimately uncollectible debts and to establish proper authorization for accounting entries to remove such receivables from Town assets. The desired end result is to have a fairly presented valuation of accounts receivable in the Town of Carolina Beaches' financial statements.

Scope:

This policy applies to all accounts receivables of the Town of Carolina Beach excluding special assessments. Write-offs of assessments are governed by state statue.

Criteria:

The Finance Department is responsible for ensuring that all requests for the write off of uncollectible accounts receivable are compliant with this policy. Documentation will be maintained by the Finance Department and will be readily available for audit. Once the list is prepared it is submitted to the Manager for presentation to Town Council for approval at an official meeting, preferably annually.

The Town of Carolina Beach recommends that uncollectible accounts receivable be written off the Town's financial accounting records when all collection procedures allowed by law have been conducted without results or if the Town deems an account receivable to be uncollectible when one or more of the following circumstances exists.

- 1. Expired statute of limitations: Debt has exceeded three-years or other applicable statutory limitation
- 2. Bankruptcy: Account has been discharged through bankruptcy court
- 3. Deceased: Debtor is deceased with no estate
- 4. Court Refuses Judgment: The debt cannot be substantiated in court
- 5. Unjustifiable Cost: Amount of uncollectible debt is less than \$50 or the cost of collection would exceed recoverable amount

6. Untraceable: Where customer has provided false identification, left the country, or otherwise cannot be located and/or a correct identity cannot be established

Accounts receivables due from individuals of at least \$50 will be submitted to the Department of Revenue for debt setoff debt proceedings at least once prior to write off. After an accounts receivable (or account) has been written off, continued collection efforts shall supplement G.S. 105A Setoff Debt collection for a period equivalent to the statue of limitations.

Uncollectible accounts receivables will be written off the Town's financial accounting records and no longer be recognized as collectible for financial reporting purposes; however, the legal obligation to pay the debt will still remain. The record of the debt will be retained in the customer information database until the amount owing has been collected. The names of all new customers applying for service with the Town will be researched and any customers found to be owing past due amounts, whether currently outstanding or written off in the past, must remit in full before new service will be established.

Once the list is approved by Town Council the Finance Department will make the necessary adjusting journal entries to write off the uncollectible balance, with notices given to effected departments with regards to future collection of debt by existing customers.

<u>11/15/2011</u> Policy Adoption Date