



<b>SUBJECT</b>	<b>Allowance and Write-Off Policy</b>
<b>SOP #</b>	<b>08-006</b>
<b>Issued Date</b>	July 1, 2021
<b>City Manager Approval</b>	J. Mal.

**PURPOSE:**

The purpose of the allowance for doubtful accounts and write-off policies is to set forth the accounting recognition policy and the calculation of the allowance for other Non-EMS receivables. The EMS allowance policy was already approved by Commission in June of 2019. That policy dictated recording of an allowance equal to the entire balance of EMS receivable.

The Finance Department has developed a write-off and allowance policy to ensure the City's receivables are not overstated and that accounts deemed uncollectible are recorded in the correct period for financial statement purposes. Effective date: Fiscal Year 2021.

**POLICY & PROCEDURE:**

Allowance for Uncollectible Accounts

An allowance for doubtful accounts is a contra account that nets against the total receivables presented on the balance sheet to reflect a more realistic value of the receivables. The allowance estimates the percentage of accounts receivables expected to be uncollectible. It also establishes the corresponding bad debt expense for the reporting period consistent with the matching principle - one of the underlying guidelines in accounting. Therefore, allowance for uncollectible accounts and bad debt expense are adjusted accordingly annually at fiscal yearend.

The City has distinct groups of receivables:

- Utility billings
  - Water Base and Consumption
  - Sewer Base and Consumption
  - Storm Water
  - Garbage & Recycle
- Parking lot operations billings – from the RV lot
- Receivables from business licenses renewal and fire assessments billings

The City will follow the policy of submitting accounts over 90 days to the collection agency for further collection efforts as it does for the EMS past due billings over 90 days.

Based upon collection efforts, reserve rates for the various aging categories, as illustrated below, are recommended to reasonably calculate the allowance for uncollectible accounts. The allowance can be obtained by multiplying the receivable balance in the various aging categories by the corresponding reserve rate.

<b>Recommended</b>	<b>Not yet due</b>	<b>0 - 30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181-365 Days</b>	<b>&gt;365 Days</b>	<b>Total</b>
<b>Recommended Reserve Rate</b>	-	1%	1.80%	15%	40%	95%	

Calculation Illustration

<b>Recommended</b>	<b>Not yet due</b>	<b>0 - 30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181-365 Days</b>	<b>&gt;365 Days</b>	<b>Total</b>
<b>Recommended Reserve Rate</b>		1%	1.80%	15%	40%	95%	
Receivable Balance**	6,000.00	4,000.00	2,000.00	1,000.00	600.00	500.00	14,100.00
Reserve Amount	-	40.00	36.00	150.00	240.00	475.00	941.00

\* Fictitious balance for illustration purposes only

Write-Offs and Adjustments

When a specific account becomes uncollectible, it is written off by charging the allowance for uncollectible accounts and crediting accounts receivable. Writing-off an account is only permitted after all reasonable collection efforts (in-house collections activities, outside collection agency) have failed. The Commission’s approval is then sought. Write-offs are recommended from time to time when those conditions are satisfied.

It is important to note that a write-off does not stop the collection process. Collection agencies, on behalf of the City, will continue to pursue collection efforts unless specifically requested to halt by the City. Should a delinquent account owner decide to resume operations within the City, the owner will be required to pay all past due charges to include past due written-off charges and all associated late fees for the delinquent period. All recoveries will be properly recorded accordingly.

Exceptions:

No account will be written off for water and sewer account holders. Instead, aggressive collection and lien efforts are recommended.

Review and Approval Authority:

All accounts over \$5,000 in the aggregate, recommended for write-off, should be reviewed by the Finance Director then the City Manager prior to submission to the City Commission for final approval. The Finance Department will be the repository of all accounts written-off.