



City of Gladstone Accounts Receivable Collection and Write-Off Policy

1. OBJECTIVE

To establish a standardized and systematic procedure for the collection of outstanding accounts receivable and the write-off of uncollectible accounts. This policy ensures the City minimizes bad debt expense and handles all accounts fairly and consistently.

2. DEFINITIONS

- “Accounts Receivable”: This includes all debt owed to the City of Gladstone;
- “Aged Balance of Accounts Receivable”: A schedule classifying the balances of all accounts receivable according to the varying lengths of time the accounts are past due;
- “Collection Agency”: An independent contractor who is hired by the city to pursue the collection of uncollected accounts receivable.

3. BACKGROUND

Various City of Gladstone departments have accounts receivable resulting from their operations. Some of these receivables may become uncollectible over time or following an event. When the City Commission determines that a receivable is uncollectible, the receivable is written off for accounting purposes, which does not constitute a forgiveness of debt.

4. COLLECTION PROCEDURES

A. Aging of Accounts

- All accounts will be monitored and categorized using an accounts receivable aging report. The aging report will group overdue invoices based on the number of days past the due date (e.g. 1-30 days, 31-60 days, 61-90 days, and 90+days).
- The City Treasurer or City Manager will review the aging report quarterly.

B. Communication Protocol

- Debt that is over 30 days past due, a statement with penalties applied will be sent by the office clerk.
- Debt that is 90+ days past due and is not lienable on the property tax bills may be referred to a third-party collection agency or escalated for legal action, depending on the outstanding amount and circumstances.

5. WRITE-OFF PROCEDURE

- **Definition of Uncollectible Account**

An account is deemed uncollectible and may be written off when all reasonable collection efforts have been exhausted, and there is no reasonable expectation of recovery. Examples of circumstances that may lead to a write-off include:

- The customer has filed for bankruptcy.
 - The Customer's business is no longer operating.
 - The debtor is deceased, and no estate can be identified for payment.
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- **Authorization For Write-Off**
 - The City Commission must approve write-offs.
 - All write-off requests must be accompanied by documentation of collection efforts.
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- **Accounting Treatment**
 - The City will use the allowance method for financial statement reporting, which aligns with Generally Accepted Accounting Principles (GAAP). This method involves:
 - At the end of each accounting period, an estimate of uncollectible receivables is made and recorded as a debit to Bad Debt Expense and a credit to Allowance for Doubtful Accounts. Once the receivable is considered uncollectible, it will be recorded as a debit to Allowance for Doubtful Accounts and a credit to Accounts Receivable.
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- **Post-Write-Off Collection**
 - A write-off does not legally forgive the debt. The city may still pursue collection if circumstances change, and any subsequent payments received will be recorded appropriately.

6. ROLES AND RESPONSIBILITIES

- **Accounting/Collection:** The Office Clerk is responsible for routine monitoring of accounts receivable, processing invoices, and communicating documentation.
- **Collections/Legal Action:** The City Treasurer or City Manager approves accounts receivable to be forwarded to a collection agency or legal authority.
- **Write-Offs:** The City Council approves write-offs.
- **Post-Write-Off Collection:** The City Treasurer or City Manager deems a receivable as post-write-off collection.

CC approval: