



CITY OF
MUKILTEO

Finance Department

11930 Cyrus Way Mukilteo WA 98275

**Uncollectible Accounts
Write-off Policy
&
Procedures**

2019

City of Mukilteo
Uncollectible Accounts Write-off Policy and Procedures

BACKGROUND:

The City of Mukilteo has various non-tax accounts receivable resulting from operations. The majority of these accounts are for ambulance transport services. Some of these receivables become uncollectible after a period of time, or an event.

PURPOSE:

To establish uniform guidelines for determining which delinquent accounts receivable should be considered a bad debt and written off. Also, to provide a fair representation of accounts receivable balances in the City's financial statements.

POLICIES:

Accounts receivable will be maintained in the City's financial statements for three calendar years from the invoice date or date the last payment was received, whichever is later.

An account will be written off only after one or more of the following have occurred:

- Receivables have been listed with a collection agency for three or more full calendar years.
- Accounts receivable submitted to a collection agency are returned to the City as uncollectible.
- Litigation losses involving accounts receivable.
- Receiving notification from the bankruptcy court that a debtor has filed for bankruptcy.

Approval for write-off of individual accounts is required as follows:

- \$1,000 or less: Finance Director
- \$1,000.01 - \$2,500: Mayor or City Administrator
- \$2,500.01 or more: City Council

Write-off of an uncollectible account receivable from the City's accounting records is for accounting purposes only, and does not constitute forgiveness of the debt. The account will remain active with the City's collections agency unless removed due to bankruptcy or similar action.

PROCEDURES:

Finance shall prepare and review an Aged Trial Balance of accounts receivable at year-end to determine if delinquent receivables meet the requirements set forth herein, to be written off as bad debt. This review shall be completed and recorded at least annually, but prior to year end closing. A report will be prepared and submitted for approval(s). At a minimum, the following information will be included in the write-off request:

1. Name
2. Invoice Date
3. Amount
4. Invoice Number
5. Type of service rendered

Following approval, invoice adjustments and journal entries will be processed as necessary to remove the applicable accounts from the City's financial system.

PAYMENT RECEIVED AFTER WRITE-OFF:

Payment received on an account that has been written off will be recorded as revenue in the period in which it is received.