



Financial Policies – Accounts Receivable

PURPOSE

The purpose of this policy is to ensure that all reasonable diligence has been used to collect accounts receivable and ensure the most efficient use of City revenue collection resources.

POLICY

It is the intent of the City of South Lake Tahoe to reflect the accurate value of its accounts receivable. All accounts receivable should be entered into the City's financial software system to allow for an aging analysis. Outstanding accounts receivable are reviewed on a monthly basis. Efforts will be made for the timely collection of all accounts receivable in the manner stated in this policy.

SCOPE

This policy applies to all City departments and funds. Types of receivables covered by this policy include but are not limited to: certain delinquent items in regards to business license tax; transient occupancy tax; regulatory and development impact fees; fees for services; recovery for damage to City property; fines and penalties; benefit payments, rents and leases; contract payments and Legal judgments.

PROCEDURES

A. Revenue Billings

The timely identification of outstanding revenue owed and/or losses is an essential element in accurately measuring the value of the City's assets.

- **Customer statements:** customers have 30 days from Statement date to ensure timely payment with no late fees assessed; unless a date is specified differently in an individual contract.
- **1st Overdue Notice:** over 30 days; notice statement, late fees, penalties and/or interest assessed.
- **2nd Overdue Notice:** 60-90 days; late notice statement; additional fees, penalties, interest
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- **Collection and/or Legal Notice:** 90 days and over. Submit account to Collection Agency for revenue collection or Legal Department to initiate legal proceedings.

B. Uncollectible Receivable

Designation of an Account as Uncollectible

An account may be considered uncollectible after the appropriate collection procedures have been followed if it meets one or more of the following criteria:

- The debt is disputed and the City has insufficient documentation to pursue collection efforts;
- The cost of further collection efforts will exceed the estimated recovery amount;
- The account remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action;
- The debtor cannot be located, nor any of the debtor's assets;
- The debtor has no assets and there is no expectation they will have any in the future;
- The debtor has died and there is no known estate or guarantor;
- The debt is discharged through legal action (bankruptcy or court judgment);
- The debt has been forgiven by action of the City Council.

C. Write-Off Thresholds

Uncollectible receivables will be written off in the manner stated below:

Write-off Authority

1. Director of Finance may approve write off transactions up to \$5,000.00
2. City Manager may approve write off transactions over \$5,000.00 up to \$10,000.

3. City Council authorization required for transactions over \$10,000.00

It is the responsibility of the Finance Department to provide the City Manager and/or the City Council with an aging report as needed, identifying all outstanding receivable with a value of \$5,000.00 or more per transaction determined to be delinquent or uncollectible, including the basis for collection and the actions taken.

- *A write-off of uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt or gift of public funds*

D. Accounting Procedures

- Once an account is determined to be uncollectible, the invoice is reversed off the system.
- Accounts written off will be charged back to the accounts credited/debited when the invoice was generated.
- Revenue received from Collection Agency will be deposited into the account the invoice was originally generated.

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