



Staff Report

Date: July 12, 2016

To: City Council

From: Karan Reid, Director of Finance

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Subject: **Annual Write-Off of Uncollectible Accounts Receivable for FY 2015-16**

Report in Brief

While the Finance Department makes every effort to collect unpaid accounts receivable, some inevitably become uncollectible and must be written off the books in accordance with generally acceptable accounting practices (GAAP). The recommended write-off for FY 2015-16 includes 7 unpaid invoices in the amount of \$30,243 related to unpaid invoices for damage to City property and false alarm citations.

Recommended Action

Staff recommends the City Council authorize the write-off of the uncollectible accounts receivable in the amount of \$30,243 as of June 30, 2016, which are currently on the City's ledger.

Background

Current policy requires formal approval by the City Council before any uncollectible receivable over the amount of \$750 can be written off.

Prior to recommending write-offs of bad debt, the Finance Department makes every effort to collect unpaid receivables. Actions taken include:

1. Past due notice mailed after 30 days of initial invoice
2. Monthly statements are mailed to the customers
3. Phone calls are made as reminders, and/or to set up payment options

4. 10 - day payment demand letters are mailed to inform customers of possible legal action
5. Small Claims are filed with the Contra Costa County small claims court

Only after all collection efforts have failed is a receivable considered uncollectible and recommended to be written-off the accounting records in accordance with GAAP.

Analysis

A summary of the recommended accounts for write-off follows and is presented in detail in Attachment 1.

<u>Billing Type</u>	<u>Number</u>	<u>Amount</u>
Damage to City Property	6	\$ 28,851
False Alarms	1	\$ 1,392
	Total Bad Debt Write-Offs	\$ 30,243

The City pursued Small Claims actions for all of the accounts except for one claim of damage to City property. That claim of \$11,233 involved a fatality accident and the liable individual is incarcerated. The remaining claims will receive judgments in small claims court, which remain on file for ten years and are renewable for an additional ten years. While staff is recommending writing off these unpaid debts, the City may collect on the debts in the future as a result of the outstanding judgements in place.

Financial Impact

The write-off of \$30,243 recognizes that the funds are not likely to be collected. All of the accounts are attributable to the General Fund. In accordance with Generally Acceptable Accounting Principles and due to the uncertainty of the collection of payments, the uncollectible amounts cannot be categorized as deferred revenue. Staff will continue to maintain a file of the bad debts upon the event that collections occur.

Public Contact

The City Council Agenda was posted.

Attachments

1. Summary of Accounts

Accounts Receivable Write Offs over \$ 750.00

<u>Cust</u>	<u>Date</u>	<u>Invoice #</u>	<u>Name</u>	<u>Charge</u>	<u>Judgement</u>	<u>Reason</u>	<u>Amount</u>	<u>Department</u>	<u>Account #</u>
3799	08-16-15	46084	Denita Azzarello	False Alarm	Pending	Collection Process	\$1,392.12	PD	1007200R999-46390
Total Alarm							\$1,392.12		
3649	11-26-14	42773	Amanda Scogland	Damage	Yes	Collection Process	\$4,031.14	P. Works	1003700R999-50050
3669	11-26-14	42792	Miguel Rivera	Damage	Pending	Collection Process	\$3,538.96	P. Works	1003700R999-50050
3689	04-17-15	44849	Gerardo Harquin	Damage	No	Incarcerated	\$11,233.10	P. Works	1003700R999-50050
3711	05-01-15	45143	Tamara Huzwitz	Damage	Pending	Collection Process	\$3,028.46	P. Works	1003700R999-50050
3771	08-14-15	46893	Lila Lappbenzel	Damage	Pending	Collection Process	\$3,707.80	P. Works	1003700R999-50050
3774	08-14-16	46881	Eric Carillo	Damage	Pending	Collection Process	\$3,311.27	P. Works	1003700R999-50050
Total Damage							\$28,850.73		
							\$30,242.85		