

	<b>VILLAGE OF PINEHURST</b> <b>STANDARD PROCEDURE</b>	
<b>SUBJECT: Write-Off of Uncollectible Accounts Receivable</b>	Effective Date: 05/22/12	
Department: Financial Services	Policy No.: FIN-1124	
Prepared by: John Frye, Director of Financial Services	# of Pages: 2	

**PURPOSE:**

This policy and procedure governs the write-off of uncollectible accounts receivable owed to the Village of Pinehurst. The policy's purpose is to establish uniform guidelines for determining delinquent accounts receivable which should be considered as uncollectible debts, and to provide a fair representation of accounts receivable in the Village of Pinehurst's financial statements.

**POLICY**

This policy applies to all accounts receivable of the Village of Pinehurst excluding property taxes, special assessments and intergovernmental receivables. Write-offs of property taxes and special assessments are governed by state statute.

The Village of Pinehurst policy, criteria and procedures to write-off uncollectible accounts receivables are as follows:

- (1) Financial Services is responsible for ensuring that all requests for the write off of uncollectible accounts receivable are compliant with this policy. Documentation will be maintained by Financial Services and will be readily available for audit.
- (2) Intergovernmental accounts receivable, which consist of funds due to the Village from the State or other local governments, cannot be written off without the approval of the Village Manager. If a Department (or Financial Services) is unable to collect a receivable from another governmental agency, write-off will be jointly determined by the Village Manager and Financial Services Director.
- (3) Financial Services recommends that uncollectible accounts receivable be written off the Village's financial accounting records when all collection procedures allowed by law have been conducted without results ~~or~~ Financial

Services deems an account receivable to be uncollectible when one or more of the following circumstances exists:

- **Discharged Bankruptcy.** An account that has been discharged through bankruptcy court.
- **Deceased.** Debtor is deceased with no estate.
- **Court Refuses Judgment.** The debt cannot be substantiated in court.
- **Outlawed.** The statute of limitations has expired without payment or promise of payment since the last transaction.
- **Amount Doesn't Warrant Further Collection Action.** The debtor fails to respond to demand for payment, and further collection action would not be cost effective.

After an accounts receivable (or account) has been written off, continued collection efforts shall supplement G.S. 105A Setoff Debt Collection. Collection efforts will be performed for a period equivalent to the statute of limitations.

Uncollectible accounts receivable will be written off the Village's financial accounting records and no longer be recognized as collectible for financial reporting purposes, but the legal obligation to pay the debt will still remain. Accounts receivable which are written off will remain debts due to the Village until the debt has been collected. Departments are to notify Financial Services if a customer returns for Village services after an account receivable has been written off and requests services. Upon notification from the Department Head, Financial Services will reactivate the amount that was previously written-off.

#### **PROCEDURES:**

It is the responsibility of Financial Services to initially determine the collectability of a delinquent account receivable and recommend it for write off. As often as is prudent, but at least annually at fiscal year-end, the Finance Technician shall send recommendations to Department Heads of which accounts receivable have been determined as uncollectible. The recommendation shall be supported by an aged accounts receivable report.

Individual Village departments shall then review the information and send a formal written request to the Financial Services Director requesting the write off of uncollectible accounts for their department.

With the approval of the Financial Services Director, the Finance Technician will make the necessary adjusting journal entries to write off the uncollectible balance. A report of all account write-offs will be forwarded to the Village Manager and Assistant Village Manager of Finance and Administration upon posting.

Approved by:

Village Council, Resolution 12-34

May 22, 2012

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**RESOLUTION #12-34:**

**A RESOLUTION REVISING THE POLICY ON WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS FOR THE VILLAGE OF PINEHURST.**

**THAT WHEREAS,** the Village Council adopted the Write-Off of Uncollectible Accounts Policy by Resolution #10-03; and

**WHEREAS,** the policy currently needs to be revised to reflect changes in collection practices and methods; and

**NOW, THEREFORE, BE IT RESOLVED** by the Village Council of Pinehurst, North Carolina, in work session assembled this 22<sup>nd</sup> day of May 2012 as follows:

**SECTION 1.** That the Policy on the Write-Off of Uncollectible Accounts is hereby revised; said policy attached hereto as Attachment A and made a part hereof; the same as if included verbatim.

**THIS RESOLUTION** passed and adopted this 22<sup>nd</sup> day of May 2012.

VILLAGE OF PINEHURST

VILLAGE COUNCIL

By: Nancy Rey Fiorillo  
Nancy Rey Fiorillo, Mayor

Approved as to Form: [Signature]  
Michael J. Newman, Village Attorney

(Municipal Seal)



Attest:

Linda S. Brown  
Linda S. Brown, Village Clerk