

Sunnyslope County Water District Bad Debt Allowance Policy

8050: Bad Debt Allowance

8050.1 Purpose.

Sunnyslope County Water District customers are billed for water and wastewater services on a monthly basis after delivery of the services, i.e. in arrears. The District recognizes that some of our customers will be unable to pay for all services billed to them and that generally accepted accounting principles (GAAP) require the District estimate how much will not be collectible. The District uses the Allowance Method of measuring bad debts.

8050.2 Scope.

This policy establishes the procedure to be used by Management to determine the estimated Allowance for Bad Debts that should be carried in the financial records as an offset to the Accounts Receivable balance. The net result is the balance due from customers that Management believes is reasonably assured of being collectible.

8050.3 Factors Considered.

- A.** All new water service customers are required to pay a Guarantee Deposit, as adopted by the Board from time to time.
- B.** All new wastewater service customers are required to pay a Guarantee Deposit, as adopted by the Board from time to time.
- C.** The deposit is applied to the customer's account after three years of no Late Fees charges to their account, otherwise, the deposit is retained. The deposit will be credited to the final bill when the customer moves out of the District.
- D.** Existing customers whose water is shut off due to non-payment are required to bring their deposit up to the current required Guarantee Deposit level.
- E.** Utility bills are due and payable upon presentation and become delinquent after the 20th of the month. Accounts still unpaid after two billing cycles (roughly 60 days past due) will have their water service disconnected.
- F.** Unpaid final bills that remain unpaid after six months of internal collection efforts are written-off as uncollectible and turned over to a Collection Agency for collection.

8050.4 Calculation of Allowance for Bad Debts.

Due to the District's tight collection policy, the aging of accounts receivable balances results in only a small percentage of accounts that age beyond 90 days past due. Historically, the District uses the total accounts receivable (A/R) balance outstanding on the measurement date times the percent (%) deemed to be uncollectible. With General Manager approval and at the Finance Manager's discretion and judgment, the % deemed to be uncollectible can range anywhere from

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0.6% to 4.0% of the A/R balance, depending on the current state of the economy and the trend of actual account balances being written off.

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Date