

SUMNER-BONNEY LAKE SCHOOL DISTRICT

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Policy No. 6060P

Management Support

Uncollectible Accounts

The following procedures are to be followed to designate a receivable account as uncollectible and to remove such accounts from the general ledger accounts for financial reporting purposes.

Regulations

1. DEBT

- A. The district defines a debt as a single or collective amount owed to the district through a single activity/charge or series of similar activities/charges.

2. VENDORS, INDIVIDUALS, AND STAFF (referred to as the customer)

- A. Accounts receivable are current assets on the balance sheet that represent a debt owed to the district by employees, customers or vendors.
- B. The district has a responsibility under Article 8, section 7 of the Constitution of the State of Washington to attempt to collect on all outstanding debt owed to the district.
- C. Outstanding debt will remain as an accounts receivable until deemed uncollectible.
- D. An account is considered to be uncollectible when it meets one of the following criteria
 - 1. All reasonable efforts to obtain payment have been exhausted;
 - 2. The cost of further collection action will exceed the amount recoverable;
 - 3. The debt is legally without merit or cannot be substantiated by evidence;
 - 4. The debtor cannot be located or is deceased;
 - 5. The debt has been discharged in bankruptcy;
 - 6. The applicable statute of limitations for collection of the debt has expired; or
 - 7. It is not in the public interest to pursue collection of debt.
- E. A determination that debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt, except under criteria 3 and 6 above.
- F. Any uncollectible accounts that are \$500 or greater will be forwarded to a collection agency and will remain on the books for one year before they are deemed eligible for write-off.
- G. Uncollectible accounts will be considered for an annual write-off after the following criteria have been met:
 - 1. Establishing the receivable – ensuring that documentation of the debt exists
 - 2. Invoicing the customer – requesting payment from those owing the debt

3. Collecting, analyzing, and aging outstanding receivables – ensuring that sufficient time to collect outstanding debt has passed
4. Ascertaining that the District does not currently have any amounts due to the vendor or
5. Individual, whether arising from a vendor relationship, former employee relationship, or otherwise; and
6. Submission to a collection agency is not appropriate because the amount owed is not \$500 or greater set as a threshold for sending to collections;
7. Submission to the collection agency occurred more than one year ago
- H. All accounts deemed uncollectible shall be written off prior to fiscal year end. Accounts that are deemed uncollectible may be written off prior periodically during the fiscal year if it is deemed necessary to do so.
- I. The Chief Financial Officer is authorized to determine if an account is uncollectible and recommend to the Board of Directors write-off of uncollectible debt. Any such accounts to be written off shall be presented annually, or as needed, to the Board.
- J. The Business Services Department will maintain a detailed listing of customer accounts to be written off, along with the appropriate supporting documentation.
- K. The Business Services Department will accept payment for accounts receivable previously written off.
- L. For vendors or individuals for whom accounts that were declared uncollectible and written off, efforts should be made so that restitution is received or agreed to before consideration for future business relationships or employment with the District
- M. Federal and state laws take precedence where conflicts exist.

3. STUDENT DEBT

- A. Student debt will be incurred as outlined in Procedure 3520 and in accordance with the District's published fee schedule.
- B. Student debt will be considered an accounts receivable and will be considered uncollectible when it meets one of the following criteria:
 1. All reasonable collection efforts have been exhausted;
 2. The cost of further collection action will exceed the amount recoverable;
 3. The debt is legally without merit or cannot be substantiated by evidence;
 4. The student cannot be located or is deceased;
 5. The student or their family is deemed unable to pay;
 6. The debt has been discharged in bankruptcy;
 7. The applicable statute of limitations for collection of the debt has expired; or
 8. It is not in the public interest to pursue collection of debt.
- C. Uncollectible student debt will be written off in a manner consistent with other uncollectible debt.

4. SCHOOL NUTRITION SERVICES, STAFF

- A. Employees may purchase meals through School Nutrition Services.
- B. Funds should be set up on account in advance of purchase and no credit should be provided to staff for meals.

5. SCHOOL NUTRITION SERVICES, STUDENTS

- A. Meals will be provided to students regardless of available funds on account. In the circumstance where students do not have sufficient funds to pay for meals, they are provided a meal on credit on their student accounts.
- B. Student accounts will be reviewed and requests for payment of meals will be made.
- C. When it is determined that debt from unpaid meal charges is uncollectible, the debt is classified as “bad debt”, in accordance with Generally Accepted Accounting Principles (GAAP) and must be written off as an operating loss.
- D. Uncollectible meal charge debt will be written off annually in conjunction with other district write-offs.
- E. Bad debt expenditures are unallowable costs for federal programs and expenditures may need to be moved to non-federal programs.

6. APPEALS PROCESS

- A. Any disputed charges may be addressed first by bringing the concern to the Chief Financial Officer for discussion and if unable to resolve, issues will be brought to the District’s designated appeals representative.
- B. Disputes for items already sent to a collection agency will not be considered, as these are no longer district assets.

Cross Reference:

Policy 3520 – Student Fees, Fines and Charges

Policy 6060 – Uncollectible Accounts

Regulation 6700- Nutrition and Physical Fitness

Reference: Generally Accepted Accounting Principles – GAAP (or other financial accounting reference used in Accounting)

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