



## **STAFF REPORT**

**TO:** Board of Commissioners  
**FROM:** Linda Hendy, Accountant  
**DATE:** August 27, 2019  
**SUBJECT:** Write-off of “Uncollectible” Accounts Receivable

### **Recommendation / Proposed Motion**

- Review accounts receivable information and approve the write-off of accounts that are deemed uncollectible.

### **Policy Implications**

The Harbor Commission sets the District’s collection policies in Section 4.420 of the Code of Ordinances. Governmental Accounting Standards Board (GASB) requires that an expense for estimated bad debt accounts be recorded each fiscal year and to periodically remove “uncollectible” accounts.

### **District Major Objective/Goal**

Not applicable.

### **Fiscal Implications / Budget Status**

Reduce District receivables by \$301.00, Expense to Bad Debt account.

Reduce District receivable by \$27,000, Expense to Allowance for Bad Debt

### **Alternatives Considered**

The following actions were considered but are not recommended at this time:

- None at this time.

### **Background**

1. Michael Knight balance due for boat storage in the amount of \$301.00. Patron received a letter regarding boat storage temporary closure and removed boat prior to notifying Port of vacancy. Miscommunication as to process of boat relocation.
2. David Sievers, revoked mooring and impounded vessel due to nonpayment. Current pending litigation to recover cost to Port, place \$27,000 in Allowance for Doubtful accounts until legal action is resolved.

**Discussion**

Staff regularly works with patrons to collect accounts that fall past due. Letters are sent, follow-up phone calls are made, liens are initiated, and property is sold. When all efforts have failed, the District sends accounts to a collection agency for professional collection efforts. Periodically "uncollectible" accounts receivable should be removed from District records.

The District is required by GASB to estimate future "uncollectible" accounts receivable. Money is set aside to cover the estimated uncollectible accounts receivable in an account named "Allowance for Bad Debts" (Allowance) each fiscal year. If the District sets-aside an Allowance for an uncollectible receivable in a prior year, writing-off the receivable in the current year does not affect the budget. If the District did not set aside an Allowance, writing-off the receivable is recorded against the current year budget and is reflected in the bad debt expense. The following chart identifies accounts receivable that have an Allowance set-aside from a prior year and accounts that do not have an available Allowance.

<b>Patron</b>	<b>Amount</b>	<b>Allowance</b>	<b>Description of Services Provided</b>	<b>At Collections?</b>
Knight, Michael	\$301.00	No	Boat Storage	No
Sievers, David	\$27,000	Yes	Salvage Damaged Boat	Yes

A no service listing of these accounts will be maintained by District staff. The above patrons will not be entitled to District services until full payment has been received via the collection agency or directly.

Staff recommends approval to expense the balance of \$301 from Patron Michael Knight as bad debt and to place David Sievers amount of \$27,000 to Allowance for Doubtful Accounts until account is resolved.

**Conclusion**

This item is informational only. No action is required at this time.