

CITY OF WAUKEGAN

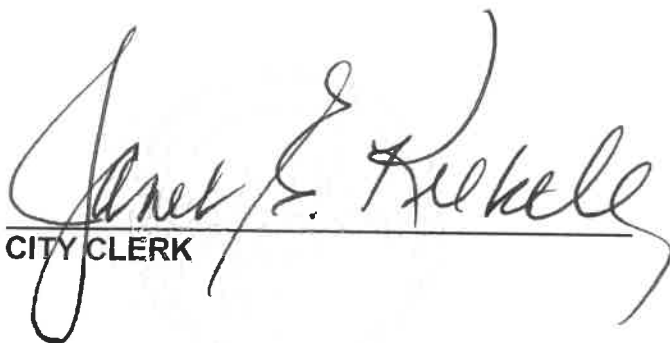
RESOLUTION NO. 21—R—03

**A RESOLUTION FORMALLY ADOPTING A POLICY
GOVERNING THE CITY'S TREATMENT OF ACCOUNTS RECEIVABLE BAD DEBT
IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.**

**ADOPTED AND PASSED BY THE CITY COUNCIL
OF THE CITY OF WAUKEGAN**

**ON THE 19th
DAY OF JANUARY, 2021**

**Published in pamphlet form by authority of the City Council, of the City of
Waukegan, Lake County, Illinois, on the 20th day of JANUARY, 2021.**


CITY CLERK

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GOVERNING THE CITY'S TREATMENT OF ACCOUNTS RECEIVABLE BAD DEBT
IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.**

WHEREAS, the City of Waukegan recognizes the importance of establishing accounts receivables controls, processes, and procedures for services provided including billing timeframe, dollar thresholds, use of collection services, write-off of bad debt, receivables aging analysis, and decision-making authority; and

WHEREAS, the City of Waukegan wishes to ensure Accounts Receivables are not overstated and are fairly presented in its annually audited, public financial statements; and

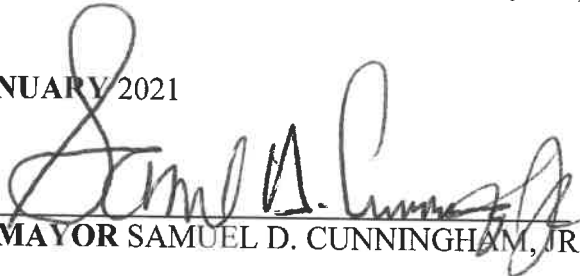
WHEREAS, the City of Waukegan desires to comply with Generally Accepted Accounting Principles (GAAP) on bad debt; and

WHEREAS, the City of Waukegan does not have a formalized policy regarding the accounting for bad debt expense invoiced via the water, sewer and miscellaneous accounts receivables system; and


WHEREAS, only the City Council has the authority to establish policy regarding the recognition of uncollectable accounts;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WAUKEGAN, LAKE COUNTY, ILLINOIS that the Accounts Receivable Bad Debt policy, hereto attached as Exhibit A, and fully incorporated as if fully set forth here, is hereby adopted and shall become effective May 1, 2021.

Passed and Approved on this 19th Day of JANUARY 2021


MAYOR SAMUEL D. CUNNINGHAM, JR

ATTEST:


CITY CLERK JANET E. KILKELLY

A YE: Ald Rivera, Ald Florian, Ald Taylor, Ald Bolton, Ald Seger, Ald Moio, Ald Kirkwood, Ald Newsome, Ald Turner.

NAY: None.

ABSENT: None.

ABSTAIN: None.



ACCOUNTS RECEIVABLES BAD DEBT POLICY

Effective May 1, 2021

Adopted by City of Waukegan Resolution No. 21-R-03

The City of Waukegan Finance Department bills customers for services provided, including, but not limited to: usage of water; water & sewer; various license and renewal fees; lease or rental agreements; off-duty police services; and the sale of certain commodities to other governmental agencies (i.e. road salt, fuel). Revenue is recognized and recorded when the customer is invoiced and a related account receivable balance is recorded in accordance with Generally Accepted Accounting Principles (GAAP). This policy establishes the criteria and procedures to be followed to designate receivable accounts as uncollectible and to remove such accounts from the general ledger account fund balance (e.g. writing the debt off). This Policy does not cover receivables handled by third-party billing services (e.g. ambulance services), nor does this policy cover debts outstanding to the City as a result of citations issued by the Building Department or Police Department (e.g. Red Light Tickets).

1) Water & Sewer Customer Accounts

a. Active accounts

- i. Active accounts follow the billing schedule as outlined in Chapter 24 – Water and Sewers, Article IV – Rates and Charges, Sec. 24-215- Billing.
- ii. The billing schedule outlines billing, penalties for late payments, notices for water disconnection based on non-payment and water termination dates.
- iii. Active accounts with minimum billing and zero consumption for six months or longer whose water service has been, or can be, disconnected for non-payment will have their account finalized to generate a final bill.

b. Final Accounts

- i. An account is considered final when a customer is moved out of a service location.
- ii. Finalized accounts with balances outstanding 60 days or more will receive a late notice notifying the account holder of the past due balance and due date.
- iii. Finalized accounts with balances outstanding 90 days or more are deemed doubtful accounts and are subject to the following procedures.
 1. The account will be flagged “Sent to Collection” in the payment history ledger.
 2. The balances will be moved from “Accounts Receivable” to “Doubtful Account” for accounting purposes.
- iv. Finalized accounts with balances outstanding 365 days or more will be deemed “uncollectible” and subject to the following procedures. The account will be flagged “Balances Written Off” in the payment history ledger, and the balances will be moved from “Doubtful Account” to “Bad Debt Write Off” for accounting purposes.

2) Miscellaneous Accounts Receivables

- a. Accounts outstanding 60 days or more from the time of invoice shall have a written collection notice mailed to the accounts last known mailing address.

- i. If full payment or an acceptable repayment plan agreement is not arranged within 60-days of the first collection notification date, the debt will be deemed doubtful.
 - b. Accounts outstanding 120 days or more at the end of each fiscal quarter that are deemed “doubtful accounts” and subject to the following procedures:
 - 1. The account will be flagged “Sent to Collection” in the payment history ledger.
 - 2. The balances will be moved from “Accounts Receivable” to “Doubtful Account” for accounting purposes.
 - c. Accounts outstanding 365 days or more at the end of each fiscal quarter are deemed “uncollectible” and subject to the following procedures:
 - i. The account will be flagged “Balances Written Off” in the payment history ledger, and the balances will be moved from “Doubtful Account” to “Write Off” for accounting purposes.
- 3) The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from financial responsibility to the City. Although the uncollected account has been removed from the books, the uncollected amount is not forgiven. The City may still have a claim against the debtor and can still seek legal remedy (e.g., sue for collection in a court of law). Alternatively, the debtor can still pay on the account.
- 4) Bankruptcy and Foreclosure Notifications
 - a. Upon written initial bankruptcy notification, all collection activity will cease per the automatic stay provision required by bankruptcy regulations for a period of ninety (90) days. The account will be flagged “Bankruptcy Pending” in the payment history ledger, and the balance will be moved to “Bankruptcy Pending” for accounting purposes.
 - i. If the debtor does not provide evidence of a bankruptcy filing within ninety (90) days of the date of the initial notification, normal collection activity will resume.
 - ii. Upon receipt of the final, written determination of the bankruptcy petition from the United States Bankruptcy Court, one of the following will occur:
 - 1. The debt will be discharged, which prohibits any collection of the debt from the City, and if applicable, a new account established for the customer.
 - 2. In the case of a dismissal or a discharge that includes non-dischargeable debt due to the City, the portion of the non-dischargeable debt will be reinstated on the account and collection efforts will resume.
 - 3. The account will be flagged “Discharged Debt” in the payment history ledger, and the balances will be moved from “Bankruptcy Pending” to “Discharged Debt” for accounting purposes.
 - b. Properties which transfer ownership following a formal foreclosure process are subject to the City’s Closing Letter process.
 - i. Properties purchased via Lake County tax sale foreclosure will be flagged as “Foreclosure Pending” in the payment history ledger. Once the new owner provides sufficient documentation proving the property was acquired via a tax sale conducted by Lake County, the past due balances will be changed to “Discharged Debt” and collection efforts will cease.
 - ii. Properties which are purchased in private transaction or at foreclosure auction via the Lake County Sheriff’s Office will not automatically qualify for discharge of past due balance; however, the new owner may petition for partial or full discharge of past due

balances dependent on factors including age of the outstanding balances due, and good standing with payment history of other accounts (e.g. water and sewer, rental licenses, Building Department liens) by the same owner. The petition will be reviewed and considered by the Finance Director, Building Commissioner and Corporation Counsel. If balances are in excess of \$500, the Mayor or his designee must be consulted before any discharge of debt may be authorized.

- iii. Short-sale transfers of ownership do not qualify for consideration of discharge of debt, and all balances associated with the address must be paid in full via the Closing Letter process before a water and sewer services may be established anew at the location.

5) Balances can be recovered from write-off or discharge in four ways.

- a. Lien Payoff Statement – When a lien payoff statement is requested, past due balances including write offs may be listed for repayment. After payment a lien release document is filed with Lake County.
- b. Closing Letter – When a property changes ownership, all past due balances including write offs may be listed for repayment.
- c. Collections – Balances reported to collections may be paid to the third party collections agency which in turn will notify the City of such collection and remit payment less collection fees, if any, to the City.
- d. Account Owner or Property Owner discretion – An account owner or property owner may, at any time, bring their account(s) current and in good standing by paying any past due balances including write off balances.

6) The Finance Department shall provide a written report at the end of each fiscal year listing all accounts written-off as bad debt to the Finance & Purchasing Committee. This listing shall include the customer name, last known address, nature of the account (i.e. water, license), and the amount of the write-off. All amounts will be written off, however, only amounts deemed worthy of collections will be submitted to the third party collections vendor.

7) Annually, the Finance Department will set the minimum balance which will not be sent for third-party collections after conferring with the Mayor, Chairman of the Finance & Purchasing Committee and Corporation Counsel.

8) The City Council will periodically review this policy and update it as necessary to achieve the Council's objectives and as required by law or regulation.