

**RESOLUTION NO. 104-19**

**RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA,  
ADOPTING THE ALLOWANCE FOR DOUBTFUL ACCOUNTS POLICY**

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**WHEREAS**, the City of Richmond has determined that an appropriate level of allowance for doubtful accounts is a policy decision; and

**WHEREAS**, the Governmental Finance Officers Association recommends government organizations establish a formal allowance for doubtful accounts policy; and

**WHEREAS**, the Allowance for Doubtful Accounts Policy outlines guidelines for calculating and recording the allowance for doubtful accounts; and

**WHEREAS**, the adoption of the Allowance for Doubtful Accounts Policy is consistent with “best practices” and the City Council’s fiduciary oversight of fiscal policies.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council hereby adopts the Allowance For Doubtful Accounts Policy for the City of Richmond that is attached hereto as Exhibit A.

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I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond at a regular meeting thereof held November 19, 2019, by the following vote:

AYES: Councilmembers Bates, Johnson, Martinez, Myrick, Vice Mayor Choi, and Mayor Butt.  
NOES: None.  
ABSTENTIONS: None.  
ABSENT: Councilmember Willis.

PAMELA CHRISTIAN  
CLERK OF THE CITY OF RICHMOND  
(SEAL)

Approved:

TOM BUTT  
Mayor

Approved as to form:

BRUCE GOODMILLER  
City Attorney

State of California            }  
County of Contra Costa        : ss.  
City of Richmond             }

I certify that the foregoing is a true copy of **Resolution No. 104-19**, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on November 19, 2019.

  
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Pamela Christian, Clerk of the City of Richmond

## Allowance for Doubtful Accounts Policy

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(A) Rationale and Explanation. The allowance for doubtful accounts policy is being created effective November 19, 2019. The new policy will be referred to as the allowance for doubtful accounts policy. This new policy is instituted to establish the methodology employed to determine the percentage of the City of Richmond open accounts receivables that are unlikely or doubtful to be realistically collected within a reasonable period of time following the close of a fiscal year. The policy will apply to all funds of the City, except those covered by another policy in which user rates and charges are accounted or figured in the revenue stream.

(B) The policy will be applied to the preparation of the financial statements of the municipality, in conformity to the prevailing generally accepted accounting practices (GAAP) and the guidance statements of the governmental account standards board (GASB). The policy need not inform practical policies of collection nor limit the ability of the municipality to carry the full amount of receivables affected for other purposes.

(C) Procedure and Formula. The accounting manager or his or her designee shall identify the amounts of all unpaid invoices.

(D) In adjusting the allowance account, the amount adjusted is determined by the number of days it is past due. A percentage is assigned tying the uncollected amount to the number of days it has aged as listed in the chart shown in section E, below. An estimate of the probable uncollectibles is developed and Doubtful Accounts Expense is debited and Allowance for Doubtful Accounts credited for an amount bringing the allowance to the desired balance. To illustrate, assume that receivables are \$60,000 and the allowance account has a credit balance of \$200 at the end of the period. Doubtful accounts are estimated at 2% of accounts receivable, or \$1,200. The following entry brings the allowance to the desired amount:

Doubtful Accounts Expense	1,000	
Allowance for Doubtful Accounts		1,000

(E) The accounting manager or his or her designee shall then calculate the percentage of open accounts receivables, which includes but is not limited to late installments and penalties.

Classification	Uncollectible Accounts Experience Percentage
Not yet due	2%
Not more than 30 days past due	5%
31--60 days past due	10%
61-90 days past due	20%
91-180 days past due	30%
181-365 days past due	50%
More than one year past due	80%

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(F) Authority for Administration. The accounting manager shall have continuing authority for the administration and implementation of this policy. This shall include the authority to interpret its provisions in a manner not in conflict with any of its terms including the authority to determine the estimate of allowance for doubtful accounts that will be used. As a management policy, all departments shall cooperate in its execution.