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BPC Policy No. 105

SUBJECT: UNCOLLECTIBLE ACCOUNTS

PURPOSE: To define action to be taken when delinquent accounts receivable are deemed doubtful and uncollectible.

POLICY STATEMENT:

It is the policy of the San Diego Unified Port District (District) to diligently pursue all monies due the District. It is acknowledged that under certain circumstances regardless of the best efforts of staff, monies due the District may not be collected. The timely identification of accounts receivable whose collection is doubtful is a critical component in appropriately measuring the value of District assets.

An accrual for a loss contingency must be charged to income if both of the following conditions are met:

1. It is **probable** that as of the date of the financial statements the District does not expect to collect the full amount of its accounts receivable based on information available before the actual issuance of the financial statements; and,
2. The amount of loss contingency can be **reasonably estimated**.

The following criteria shall be used in determining monies due the District deemed doubtful or uncollectible. Accounts receivable meeting any one of the following criteria may be removed from the District's accounting records as an active account receivable.

1. The account receivable is older than 90 days and collection efforts have been unsuccessful.
2. The responsible party has declared bankruptcy.
3. The tenant relationship has terminated and the tenant has either an insufficient or no security deposit available to offset the balance due the District.
4. A legal settlement has been reached with the responsible party and a determination has been made as to the amount owed the District.
5. The responsible party has died and left no estate.
6. A court of law has denied the District a judgment for the money due.
7. The statute of limitations has expired for claiming the money due the District.

PROCEDURES:

1. Delinquent Active Accounts Receivable

When the collection of a delinquent account receivable is deemed doubtful, the Treasurer shall:

- a) Transfer the delinquent active account receivable to contingent accounts receivable.
- b) Accrue a loss contingency against current year income and increase the Allowance for Doubtful Accounts balance.
- c) Notify the Board of Port Commissioners (Board) of the active accounts receivable transferred to contingent accounts receivable at the end of the quarter in which the transfer occurred for accounts greater than \$5,000.
- d) Direct staff to continue collection efforts of the contingent account receivable until collection efforts are exhausted and the account is considered uncollectible.

2. Uncollectible Contingent Accounts Receivable (Write-Offs)

When all reasonable efforts to collect a contingent account receivable have failed, and the write-off amount for any one receivable is greater than \$5,000, the Treasurer shall, at the end of each fiscal year:

- a) Notify the Executive Director (President/CEO) and Assistant Executive Director who shall recommend to the Board that the account be purged from the District's financial records; and, upon approval by the Board,
- b) Direct staff to perform the appropriate accounting entries to remove the delinquent contingent accounts receivable from the District's general ledger.

3. Provision for the Timely Payment of Tenant Accounts

Should the District Treasurer determine that an account is not paid in a timely manner, a security deposit may be required for subsequent transactions to insure timely payment of monies due the District.

The security deposit shall be the sum of three months of estimated revenue, which shall be based on historic billings or tenant reported concessions, whichever amount is greater. Acceptable security deposits shall be delivered to the Treasurer, San Diego Unified Port District, in the form of:

- a) Cash
- b) Irrevocable standby letter of credit

RESOLUTION NUMBER AND DATE: 2011-42, dated March 8, 2011 (Supercedes BPC Policy 105, Resolution 2008-228, dated November 4, 2008; Resolution 2003-132, dated July 15, 2003; Resolution 2000-109, dated July 13, 2000; Resolution 81-328, dated October 6, 1981; and Resolution 68-298, dated December 3, 1968)

(1)

Re Amendment of BPC Policy 105,]
Uncollectible Accounts]
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**REFERENCE
COPY**

57609

RESOLUTION 2011-42

BE IT RESOLVED by the Board of Port Commissioners of the San Diego Unified
Port District, as follows:

That Board of Port Commissioners Policy No 105, Uncollectible Accounts, as
amended, a copy of which is on file in the office of the District Clerk, is hereby adopted.

ADOPTED this 8th day of March, 2011.

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3/8/11