

Washington County Local Development Corporation Allowance for Doubtful Accounts (Bad Debt) Policy

1.0 PURPOSE

The purpose of the Allowance for Doubtful Accounts (Bad Debt) Reserve Policy (the “policy”) of the Washington County Local Development Corporation (the “Corporation”) is to establish the responsibilities, controls, authorizations and procedures to ensure past due customer accounts, that are unlikely or doubtful to be realistically collected within a reasonable period of time following the close of a fiscal year, are properly reserved for bad debt as required by Corporation policy.

2.0 POLICY PRINCIPLES

2.1 This policy pertains to all delinquent customer accounts and must be applied consistently throughout the Corporation. The Corporation does not allow the recording of bad debt where the customer account has not become delinquent. However, the Corporation does require the recognition of a bad debt reserve even if their account is not past due when circumstances merit a reserve such as bankruptcy filing.

2.2 The value of the bad debt reserve is recorded in the financial records in a separate general ledger account code so that an analysis may be done to determine the sufficiency of the reserve. Management actively reviews bad debt to gain an understanding if a trend is occurring with a customer account costing the Corporation in lost sales.

2.3 The Corporation considers any misuse or misappropriation of the bad debt reserve as strictly prohibited. If an employee violation is discovered by the Corporation, then the employee is subject to immediate termination of their employment.

3.0 POLICY PROCEDURE AND FORMULAS

3.1 Allowances for Doubtful Accounts Reserve Limits

The Corporation has set the limits for consideration of a reserve for bad debts on unpaid customer account balances based on the following formula of the unrestricted other current assets (unrestricted loan portfolio balance); this will exclude all IRP loan funds where the program allowance is established at 6% of outstanding loans balance.

0 – 90 Days	0%
91 – 180 Days	25%
181 – 270 Days	50%
271 – 364 Days	75%
365+	100%

3.2 Annual Review

At the close of each year, the Executive Director in consultation with the Audit & Finance Committee (and relying upon statistical and historical data compiled) is responsible for reviewing unpaid past due accounts to determine an adjustment, if any, is necessary to the allowance for doubtful accounts bad debt reserve. The analysis should include review of any collection efforts to date on the account and any circumstances such as a bankruptcy filing, ownership change, etc. that can impact the customer’s ability to pay. The calculation should take into account the following factors:

- i) Payment history trend
- ii) Shift in the aging of the accounts
- iii) Customer specific factors such as ownership change, financial deterioration.
- iv) Industry changes
- v) External changes such as new government regulations

3.3 Annual Approvals

The reserve analysis and calculation must be reviewed and approved by the following on an annual basis:

- Audit & Finance Committee
- Board of Directors

The Corporation is subject to an annual financial audit and as part of the audit process the Corporation's allowance for doubtful accounts reserve is analyzed by the auditors for reasonableness and adherence to GAAP.

3.4 Write-Off Customer Account Balance or Invoice

Periodically, the Corporation must write off an unpaid balance or invoice due to the refusal by the customer to pay or their inability to pay (e.g., bankruptcy). All account balances and invoices considered for write-off must be documented in the bad debt log listing the amount, customer name, date, and reason for the write-off. All write-offs must be approved by the Board of Directors of the Corporation and follow the guidelines outlined in this Policy.

3.5 Adjustments to Allowance for Doubt Accounts

All adjustments to the reserve balance in the allowance for doubtful accounts should be charged to the general ledger account for the provision of bad debt. Each operating unit has a reserve account set up in the general ledger to track the balance. Adjustments should be done at the end of the year unless there is a customer situation that becomes known to management where a reserve is required based on Corporation policy.

All journal entry adjustments to this account should be reviewed and approved by the Audit & Finance Committee and Board of Directors of the Corporation in accordance with section 3.3.

Adopted: March 25, 2022



Dave O'Brien, Chairman



Sue Clary, Secretary