

Document Code No.: FIN-11-2-2-EP

Title: Provision for Estimated Uncollectible Accounts Receivable

Affected Agencies: All King County Agencies

Authorities: RCW 43.09.200; BARS Manual 1.2.40

Keywords: Accounts Receivable, Aged Trial Balance, Estimated Uncollectible Accounts

Sponsoring Agency: DES / FBOD / Financial Management Section

Executive signature: 

Date signed and effective: February 28, 2024



King County

I. Purpose

This policy provides uniform guidelines for the calculation of the provision for estimated uncollectible Accounts Receivable and recording in the accounting records to avoid an overstatement of assets and revenues in the period in which receivables are recorded.

II. Applicability and Audience

This policy applies to Executive Branch agencies involved with non-tax receivables. The audience may include non-Executive Branch King County departments adopting this policy.

II. Definitions

"Accounts Receivable": This includes all non-tax debts owed to King County by the private sector and by other governments.

"Aged Trial Balance": A method of scheduling and classifying the balances of all accounts receivables according to varying lengths of time the accounts are past due. Generally, a strong correlation exists between the length of time an account is past due and its collectability. A provision for estimated accounts receivable can be computed by estimating the probability of collection for each age class. An estimate of the average collection experience for each age class provides a basis for estimating the portion of outstanding accounts receivable that may be uncollectible. In the process of aging the accounts receivable, an evaluation of major customers should be made in order to assess more fully the probability of collection.

"Accounts Written Off": Accounts Receivable determined to be bad debt and requested to be written off according to FIN 11-3-1 (AEP) Write-Off of Uncollectible Accounts Receivable.

"Estimated Uncollectible Accounts Receivable": A separate valuation account used to record an estimate of those receivables which are considered to be uncollectible due to the creditworthiness of the customer to avoid an overstatement of assets and revenues in the period in which receivables are recorded.

"Estimated Uncollectible Due from Other Governments": A separate valuation account used to record an estimate of those receivables which are considered to be uncollectible due to the creditworthiness of the customer to avoid an overstatement of assets and revenues in the period in which receivables are recorded.

"GAAP": Generally Accepted Accounting Principles for governments in the United States, promulgated by the Governmental Accounting Standards Board.

III. Policy

A. Compliance

1. County agencies with Accounts Receivable shall comply with these policies and procedures in order to ensure financial statement balances are stated in accordance with GAAP for presentation in King County's financial statements.
2. The Chief Accountant shall have final decision authority over the provisions for estimated uncollectible accounts receivable to be recorded and shall record the provisions in accordance with GAAP.

B. Calculation Standard

1. County agencies shall prepare and review an Aged Trial Balance of their Accounts Receivable monthly and at year end to determine an appropriate amount for estimated uncollectible Accounts Receivable. This analysis shall be completed and recorded at least annually at fiscal yearend. County agencies may request in writing to the Chief Accountant, approval to use an alternative methodology if the Aged Trial Balance method will not fairly represent their Accounts Receivable.
2. County agencies shall send a request to the Chief Accountant to record a provision for estimated uncollectible accounts receivable in the County's accounting records. The request will be authorized by the department Director.
3. Accounts Receivable Unit shall prepare and review the Accounts Receivable Aged Trial Balances, Accounts Written Off, collections of Accounts Written Off, and Estimated Uncollectible Accounts Receivable, and Estimated Uncollectible Due from Other Governments provision(s). The Accounts Receivable Unit shall provide recommendations to County agencies on the appropriate amount of the provision(s) for estimated uncollectible Accounts Receivable.
4. County agencies shall review the recommendations and respond to the Accounts Receivable Unit in writing within 10 working days from the date of the recommendations, affirming the allowance amount.

IV. Implementation Plan

- A. This policy becomes effective for Executive Branch agencies on the date that it is signed by the Executive. The Finance and Business Operations Division (FBOD) is responsible for implementation of this policy.
- B. The Financial Management Section (FMS) of FBOD is responsible for communicating this policy to the management structure within the respective agencies and other appropriate parties.

V. Maintenance

- A. This policy will be maintained by the Financial Management Section of the Finance and Business Operations Division, or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by Finance and Business Operations Division, or its successor agency prior to the expiration date.