



Accounts Receivable and Collections Policy

Responsible Party:
Finance Director

Effective Date:
01/21/2026

Approval Authority:
City Council

Next Review Date:
01/20/2031

I. PURPOSE OF POLICY

The purpose of this Policy is to establish a standardized framework for the management of accounts receivable and related financial processes across all City departments. It defines uniform procedures for billing, payment acceptance, collections, adjustments, and write-offs, and sets criteria for identifying and addressing uncollectable accounts. This Policy promotes transparency, accountability, and operational efficiency in the handling of all receivables and receipts in alignment with financial management best practices, ensuring that the City's financial records accurately reflect earned revenues and comply with generally accepted accounting principles (GAAP).

II. POLICY STATEMENT

A. Authority and Responsibilities

- 1. City Council:** The City Council is responsible for establishing financial policy direction and approving thresholds for accounts receivable write-offs. Any write-off exceeding the authority delegated to the City Manager or Finance Director must be formally authorized by Council. The Council also serves as the final approver for substantive policy updates and amendments, including those recommended through the Finance Department's annual review process.
- 2. Finance Director:** The Finance Director has overall and ultimate responsibility for the administration of the financial affairs of the City delegated by the City Council and City Manager including managing accounts receivable and receipts processes and all cashiering activities and payment acceptance by various departments within the City, per City Municipal Code Section §2.16.030. The Finance Director, or their designee, is required to certify expenditures for cash draws prior to processing by the Grant Program Administrator.
- 3. Finance Department:** The Finance Department is responsible for citywide oversight of all receivables, including those managed independently by departments. In addition to providing technical support and guidance, the Department ensures that all revenues are accurately recorded in the City's financial system and oversees final processing, reconciliation, and financial reporting. The Finance Department monitors internal controls, maintains centralized records of receivables activity, and ensures compliance with the City's Records Retention Schedule. This Policy shall be reviewed by the Finance Department at least once every two years, with recommended updates submitted to the City Manager and City Council as appropriate.

4. **City Departments:** This Policy applies to all City departments involved in processing accounts receivable. Due to the broad range of services provided by the City, departments may manage and administer their own billing and initial collection efforts for receivables not centralized through the Finance Department, including grant reimbursement requests. Departments may also request support from Finance as needed. All billing activities must be completed in Tyler New World and supported by appropriate documentation and comply with applicable agreements, grant terms, and City policies. All departments shall adhere to the financial principles and internal controls outlined in this Policy and comply with the City's Cash Handling Procedures. These principles serve as the foundation for any department-specific procedures related to billing, collections, and receipting.
5. **Grant Program Administrator:** For reimbursement-based grants, cash draws will be processed through the means prescribed in the grant agreement and initiated only by the Grant Program Administrator (e.g., City staff charged with administering a grant funded program or project).

B. Revenue Framework

1. **Types of Revenue:** This Policy aligns the management of miscellaneous and department-specific revenues with utility billing procedures wherever practical, while recognizing that some functional overlap may occur. In addition to utility billing, the City generates accounts receivable through a variety of other activities, including the provision of goods and services to other governmental agencies, private organizations, and individuals. These receivables may arise from service agreements, use of City-owned property, interagency reimbursements, grant-related cost recoveries, insurance claim reimbursements, and other department-specific functions. This Policy applies where the Municipal Code or department procedures are silent and serves as the default standard for receivables unless otherwise specified.
2. **Revenue Recognition:** As described in Section 2.2(a), the City generates various types of revenue, including charges for services, fees, and grants. Some of these may result in accounts receivable when goods or services are provided prior to payment, such as through invoicing. Others, like reimbursement-based grants, may only result in a receivable after the City incurs eligible costs and submits a claim for reimbursement. In all cases, revenue is recognized in accordance with GAAP and applicable governmental accounting standards, which require that revenue be both earned and measurable. However, the timing of revenue recognition depends on the measurement focus and basis of accounting applicable to the fund type.

For governmental funds, revenue is recognized when it is measurable and available to finance current expenditures – typically collectible within 60 days of year-end. For proprietary funds, revenue is recognized when earned and collection is reasonably assured. The creation of a receivable—whether through invoicing or

reimbursement—does not, by itself, constitute revenue recognition. Revenue is only recognized once the underlying transaction has occurred and the applicable recognition criteria have been met.

C. Internal Controls and Segregation of Duties

The City maintains internal controls to ensure accurate billing, reconciliation, and recording of revenues and receivables. These controls apply to all City departments and are designed to promote accountability, prevent errors, reduce the risk of fraud, and ensure compliance with GAAP.

1. Segregation of Duties: A key component of internal control is the segregation of duties, which ensures that no single individual can initiate, process, and complete a transaction without oversight. Responsibilities must be separated across different personnel or system-based workflows enforcing multi-level review and approval for the following activities:

- Input and approval of fees for services
- Billing or invoicing, including grant reimbursement requests
- Collection and receipting of payments
- Approval of transactions, adjustments, and write-offs
- Reconciliation and reporting of revenue receipts
- Oversight of accounting and financial data

If full segregation is not feasible, departments must coordinate with Finance to document and implement mitigating controls. These alternative procedures require approval by the Finance Director or their designee and must be reviewed annually.

2. Additional Internal Controls: In addition to segregation of duties, additional internal control measures utilized by the City include:

- Regular reconciliation of revenues and receivables to detect and correct discrepancies
- Monitoring of enterprise revenues, including proactive review of usage data and billing variances, and documentation of corrections related to meter readings or system issues
- Secure handling and restricted access to financial systems and data
- Maintenance of audit trails and compliance with the City's Records Retention Schedule

The Finance Department shall conduct annual reviews of internal controls related to revenue and receivables to assess effectiveness, ensure compliance, and mitigate financial risk. More frequent reviews may be scheduled or initiated based on operational changes, risk indicators, or identified concerns. City departments shall cooperate fully and provide all requested documentation. In addition to

scheduled reviews, the Finance Department shall perform unannounced audits of cash drawers and vaults. These audits are conducted to verify adherence to established procedures and safeguard City assets. For detailed guidance, refer to the City's Cash Handling Procedures.

In addition, the City applies the following system-specific controls to further strengthen revenue accuracy and oversight:

- All fees entered into the City's financial system must align with the Council-approved fee schedule and follow system-enforced approval workflows.

3. Safeguarding of Cash: The City shall maintain strict physical security measures to safeguard cash, checks, and other receivables from loss, theft, or unauthorized access. City departments handling cash or receivables must store funds in locked, secure locations with restricted access and follow established procedures for transport, storage, and end-of-day reconciliation.

In addition to protocols further defined in the City's Cash Handling Procedures, City staff must adhere to the following physical security guidelines:

- Safe combinations must be changed when individuals with access leave the Department or the City. If no personnel changes occur, combinations should be changed at least every two years. Maintain a log with dates and reasons for changes.
- For vaults/safes behind locked doors requiring key fob access, regularly review and update key fob access. Promptly change or deactivate access in the event of staff turnover to maintain internal controls and ensure security.
- The safe(s) must be closed and/or locked between usages to the maximum extent possible.
- The key or key fob that permits access to the locked combination safe or vault should be discreetly placed.
- No one person should ever be permitted in the safe or vault at one time. It shall be an authorized staff member in the presence of a second person.

City facility cashiering areas shall be opened for business and closed at the end of the day in the presence of a second person to assure dual custody and observation of the general area. Do not allow customers into your facility during cashier opening or closing procedures. Only authorized individuals shall be allowed in the cashiers' work area.

D. Billing and Invoicing

- 1. Billing and Invoicing:** City departments issue bills for miscellaneous and department-specific charges in accordance with applicable billing procedures. For utility services, City staff process bills around the 15th of each month for services provided during the prior month, and due on the 15th of the following month. For non-utility accounts receivable, both the request and subsequent billing may occur at any time. Departments ensure timely processing, accurate documentation, and consistency with the procedures outlined in Manteca Municipal Code §13.04.140 and the City's established utility billing practices.
- 2. Grant Reimbursement Requests:** Program costs for reimbursement-based grants will be expended and disbursed prior to requesting reimbursement from the granting agency. The Finance Director, or their designee, is required to certify expenditures. Cash draws will be processed through the means prescribed in the grant agreement and initiated only by the Grant Program Administrator. Responsibility for each reimbursement request resides with the department administering the grant. Each reimbursement request will be reviewed and approved by the department director, or designee, prior to submittal to the Finance Director or their designee. Documentation of how this amount was determined will be retained, signed, and dated. Supporting documentation from any system used to make draws of grant funds will be filed along with the approved paperwork described above and retained for audit purposes.
- 3. Third Party and Payment Processors:** The City may use third-party vendors for billing and payment processing where operationally appropriate. City departments shall obtain Finance Department approval before engaging such services and ensure timely reporting of all billed and collected amounts. The Finance Department remains responsible for the accuracy and integrity of all financial data. Additionally, all financial data and transaction records from third-party processors must be integrated into Tyler New World or made accessible to the City through a system approved by the Finance Director, or their designee.

E. Payment Acceptance

- 1. Accepted Payment Methods:** Payments are accepted in accordance with the City's Cash Handling Procedures, which establish internal controls for receiving, recording, and safeguarding funds. Cash payments are defined as currency, coin, and checks. The City accepts these forms of payment along with electronic payments by way of credit and debit cards. Payments made through customer portals for utility bills or citations will be received by the City as electronic fund transfer (EFT) or automated clearing house (ACH) transactions. No payments should be made payable to a City officer, employee, volunteer, committee, board, or group. Payment may be made by entities by ACH (automatic clearing house) or wire transfer. Such receipts are recorded in the accounting system as they are identified, and any remaining unidentified items are addressed during the monthly

bank reconciliation process. Any bank account information collected for automatic payment processing is secured and not accessible to any person who does not require the data as part of their job duties.

2. **Returned Payments:** The City assesses a \$15.00 non-sufficient funds (NSF) fee for any payment returned by a financial institution due to insufficient funds, account closure, or other payment rejection reasons. The Finance Director or designee may waive the NSF fee if the City department documents that the return resulted from a City error. After two returned payments, the City may require the customer to use cash or certified funds for all future transactions. The Finance Department records the returned payment in the City's financial system and notifies the City department responsible for the related transaction. The City department contacts the customer to recover the original payment and the NSF fee and updates its internal records as needed. The Finance Department and other City departments work together to ensure timely resolution, consistent enforcement, and accurate tracking of all returned payments.

F. Payment Adjustments

The City issues refunds, applies credits, and makes billing adjustments in accordance with the following guidelines to ensure consistency and transparency across all billing types, including utility and miscellaneous billing. All refunds, credits, and adjustments must be documented in the billing system with appropriate notes and supporting documentation. All adjustments require approval from the Finance Director or designee.

1. **Payment Plans for Water Service Charges:** Payment arrangements or alternative payment schedules are only permitted for residential water service accounts under California Health and Safety Code §116904 and the City's SB 998 Policy. This option applies solely to customers at risk of water service disconnection due to nonpayment. Customers must submit required documentation—such as proof of financial hardship or a health-related risk or those who don't qualify for financial hardship or health-related risk, may apply for a payment plan by completing the application—by the deadline stated in the delinquency notice. The Revenue Division of the Finance Department reviews the request and issues a written agreement if the customer qualifies. Failure to follow the agreement or pay current charges for 60 days voids the arrangement and may result in disconnection. This Policy does not apply to miscellaneous or non-utility billing.
2. **Discretionary Payment Plans for Non-Utility Charges:** In limited circumstances, and when deemed to be in the City's best interest, the Finance Director, or their designee, may authorize a payment plan for non-utility charges, including, but not limited to, damage claims or other one-time obligations owed to the City. These arrangements are considered on a case-by-case basis and are not subject to the requirements of SB 998. Customers must submit a written request and demonstrate a good-faith effort to pay. At the discretion of the Finance Director

or their designee, the City may require a signed formal agreement outlining the terms of repayment. Failure to comply with the agreement will result in the initiation of further collection actions.

3. Account/Payment Credits: The City applies credits and makes billing adjustments when errors or exceptional circumstances affect the accuracy of a customer's account. The following situations warrant such action:

- **Calculation Errors:** When City staff identify a billing error caused by incorrect rate application, miscalculated charges, or clerical inaccuracies, they will correct the account and issue a credit for the overbilled amount.
- **Duplicate Billing:** If the City issues a duplicate bill for the same service period, staff will reverse the duplicate charge and apply a corresponding credit to the customer's account.
- **Utility Leak Adjustments:** In cases involving subsurface water leaks or other abnormal usage events, the City may issue a credit for the portion of usage that exceeds the customer's typical consumption. City staff will process this adjustment only after the customer resolves the issue and usage returns to normal.
- **Misapplied Payments:** In cases where a customer's payment is applied to the wrong account or service, City staff will reallocate the funds appropriately and issue a credit or correct as needed to ensure accurate account balances.

4. Payment Refunds: The City will issue a refund when a customer has overpaid and the overpayment results in a credit balance of \$100 or more in the billing system. Refunds must be issued to the original form of payment. The following conditions apply:

- A refund will be processed only when the account shows a credit balance of at least \$100 after all outstanding charges have been satisfied.
- If the payment is less than the total amount due—even if it exceeds the intended payment amount—no refund will be issued, as no credit balance will be present.
- This policy applies to both utility and miscellaneous billing accounts.
- All refunds are subject to verification of the account status and must be supported by appropriate documentation.
- Refunds of less than \$25.00 will not be issued unless determined appropriate by the Finance Director, or their designee.

a. For void payments, the Revenue Division Manager shall provide written approval and explanation at the time of the transaction when feasible, and no later than the close of business on the same day.

G. Deposits

Collections should be recorded in an accounts receivable system and deposited timely. It is the City's policy to utilize armored courier delivery services to transport the cumulative collection of daily deposits that are reconciled and approved. Refer to the Cash Handling Guidelines for additional information on handling, depositing, and transporting payments.

H. Revenue Reconciliation

It is the City's policy to perform regular reconciliation of revenues and receivables, including reimbursement-based grants. City staff shall reconcile all payments received each business day against system-generated reports and bank deposit records as further outlined in the Cash Handling Guidelines. The Finance Department shall conduct a monthly reconciliation of all revenue and receivable accounts to ensure alignment between the billing system, general ledger, and bank statements. Staff must verify that all payments are accurately recorded, outstanding balances are current, and any discrepancies are documented. The Finance Director or designee shall oversee the reconciliation process and ensure that appropriate internal controls are in place.

For reimbursement-based grants, any balances of unobligated cash received from a granting agency that are not authorized to be retained by the City at the conclusion of a grant must be promptly refunded to the granting agency unless the City has been authorized to retain the funds for other programs or projects.

I. Collections

The City follows a structured process to recover unpaid balances and maintain fiscal accountability. Customers with overdue accounts may be contacted at any time to resolve outstanding charges. To keep customers informed of their account status, the City issues monthly billing statements and follows a structured collection timeline that ensures minimum collections procedures are followed:

- 0–30 Days: Courtesy reminder notices are sent to encourage timely payment.
- 31–60 Days: Follow-up notices are issued to advise customers of continued delinquency.
- 61–90 Days: A final demand letter is sent, notifying the customer of potential further action. For property owners, the City may also initiate the placement of liens, where legally permissible and in accordance with the City's Municipal Code.
- 120+ Days: Accounts may be referred to a third-party collection agency or legal counsel for further action, subject to Finance Department approval. Depending on the amount owed and the nature of the account, at the discretion of the Finance Director, or their designee, the City may pursue legal action – such as filing in small claims or superior court – to obtain a judgment prior to referral to an external collection agency. This may be

pursued in addition to, or in lieu of, lien placement, depending on the type of debt and whether the debt is associated with real property, which can facilitate the collection process and improve recovery outcomes.

The City may engage external collection agencies to recover delinquent balances that remain unresolved after internal collection efforts. All referrals are centralized through the Finance Department and comply with applicable state and federal laws. In such cases, the holder of the delinquent account shall be liable for all costs incurred to obtain payment of the delinquent balance, including, but not limited to, administrative costs, collection fees and costs, and attorneys' fees. Collection fees and costs may be imposed directly by the contracted collection agency, in addition to any late penalties and interest established by the City Council and set forth in the City's fee schedule.

J. Allowance for Doubtful Accounts, Write-Offs, Payments Post Write-Offs

The City maintains an allowance for doubtful accounts a formal write-off process to ensure accurate financial reporting. These procedures recognize the potential for uncollectible receivables while preserving the City's ability to pursue collection.

- 1. Allowance for Doubtful Accounts:** To ensure accurate financial reporting, the City maintains an allowance for doubtful accounts to reflect the estimated portion of receivables that may not be collected. The Finance Department evaluates and adjusts this allowance annually based on historical collection trends, account aging, and other relevant factors. This allowance is recorded in accordance with GAAP and is reflected in the City's audited financial statements.
- 2. Write-Offs of Uncollectible Accounts:** The City recognizes that some receivables may become uncollectible despite reasonable and documented collection efforts. To maintain accurate financial records and comply with audit standards, the Finance Department conducts an annual review of outstanding accounts and identifies those that should be written off. This process applies to both utility and miscellaneous billing accounts.

Accounts are considered for write-off at the point they are referred to a court for judgement and/or to an external collection agency, or when a decision is made not to pursue formal collection procedures outlined in this Policy. This determination is made only after all internal collection efforts have been exhausted. A write-off removes the receivable from the City's active accounting records but does not eliminate the customer's obligation. The City may continue to pursue collection, including through external agencies or legal means, unless otherwise directed. For delinquent water and sewer accounts, the City may pursue lien placement if charges remain delinquent for a period of sixty days as outlined in the Manteca Municipal Code §13.16.030.

Write-offs are categorized and approved based on the following thresholds, with each receivable evaluated in its entirety – including all associated line items – to

determine eligibility against the applicable threshold:

- **Up to \$5,000:** Items may be written off by the Finance Director, or their designee, without court or external collection referral. These may be written off immediately upon determination of collectability.
- **\$5,001 to \$25,000:** Items may be written off by the Finance Director, or their designee, only after the account has been referred to court for judgment or to an external collection agency. If the City does not utilize these collection methods as part of its Policy or elects not to pursue them for a specific account, City Council approval is required.
- **Over \$25,000:** Items requires City Council approval. These accounts must have either gone through court or external collection processes, or a determination must be made not to pursue further collection efforts.

Each year, the Finance Department prepares a report summarizing accounts that require City Council approval for write-off. This includes any account or item exceeding the defined threshold for approval by the Finance Director, as well as any account over \$5,000 that is determined to be uncollectible without following the formal court or external collection process. The report includes the total value of qualifying accounts, the basis for determining collectability, and a detailed listing of each account.

3. **Subsequent Payments Post Write-offs:** Payments received after an account has been written off shall not be applied to the original receivable, which has been removed from the City's active records. Instead, the Finance Department shall record the payment as miscellaneous income in the current fiscal year and credited to the originating department to ensure proper recognition of the recovered revenue. Recovered funds must be clearly documented, including the original account, amount received, and date of write-off. These recoveries are reported separately from current-year receivables for financial reporting and audit purposes.