

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 2/24/2021

**Staff Report No.** 21-015

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**TO:** AC Transit Board of Directors  
**FROM:** Michael A. Hursh, General Manager  
**SUBJECT:** Board Policy 340 - Accounting Policy

### ACTION ITEM

#### **RECOMMENDED ACTION(S):**

Consider approving the consolidation of Board Policy 358 - Write-Off Policy with Board Policy 340 - Accounting Policy, thereby repealing Board Policy 358 in its entirety, as well as additional minor amendments to Board Policy 340.

#### **STRATEGIC IMPORTANCE:**

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

The District's accounting policies help to ensure accuracy, consistency, and adherence to current generally accepted standards in the District's financial reporting. The combined policy sets forth the general accounting, audit, internal control approaches and outlines the responsibilities of the Finance and Audit Committee. This reduces the number of Board policies but keeps the areas covered the same.

#### **BUDGETARY/FISCAL IMPACT:**

The core accounting policy does not have a direct budgetary impact. The write-off of receivables, deemed not reasonably collectable, is an on-going process that rarely involves material amounts that could be considered to have a current fiscal year budgetary impact. In those uncommon instances where the write-off is material, staff will bring the item to the Board well in advance of its actual write-off.

#### **BACKGROUND/RATIONALE:**

This item incorporates the existing Board Policy 358 on write-offs into the existing Board Policy 340 on accounting with minor changes, and then repeals Board Policy 358 as it is no longer necessary as a stand-alone policy. Write-offs are essentially an accounting function that do not generally affect the current fiscal year budget. Staff also believes that a consolidated accounting policy is more appropriate and easier to maintain. From an accounting perspective, having write-off policies helps keep financial statements reflective of the most accurate and up to date information available and is considered basic housekeeping.

The primary modification to this board policy is to change the write-off thresholds last set in 2008. The new approval levels of up to \$100,000 for the Chief Financial Officer and up to \$250,000 for the General Manager

bring this policy in line with Board Policy 465 - Procurement Policy - with respect to the limit of the General Manager's approval. Write-offs above \$250,000 would be brought to the Board of Directors for approval.

The policy now also distinguishes between a "write-down" (correcting a mistake in the value of the receivable) and a "write-off" (removal of the receivable value from the ledger). This update also removes two items from the list of appropriate write-off transactions: obsolete inventory where sales proceeds are less than book value; and fixed assets no longer in use but fully depreciated. These items are both addressed in Board Policy 356.

**ADVANTAGES/DISADVANTAGES:**

With these updates this policy is made current. No disadvantages have been identified.

**ALTERNATIVES ANALYSIS:**

There are no alternatives to the course of action recommended in this report.

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

None

**ATTACHMENTS:**

1. Board Policy 340 with recommended changes
2. Current Board Policy 340
3. Current Board Policy 358

**Prepared by:**

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**Approved/Reviewed by:**

Chris Andrichak, Chief Financial Officer

Jill A. Sprague, General Counsel

Linda A. Nemeroff, District Secretary