**Section 320.40 Procedures for Estimating Uncollectible Receivables**

a) Each agency must maintain records of "uncollectible receivables" which are defined as an agency's estimate of outstanding receivables which will ultimately be uncollectible.

b) In making its estimate of uncollectible receivables, an agency shall consider the following standards:

1) estimates of uncollectibles must be based upon prior collection experience for each type of receivable maintained by the agency; and

2) as a debt ages, the probability of collection decreases.

c) Within the aging categories established pursuant to Section 320.30, each Agency shall develop a percentage factor for uncollectibility. The percentage factor shall be calculated from the ratio of uncollectible receivables to total receivables, based upon the Agency's historical data for each receivable type. The uncollectibilty factor shall be applied to future gross receivables within the aging categories to determine the "net receivables," which are defined as gross receivables minus uncollectible receivables.