

State of North Carolina
Office of the State Controller
Statewide Accounts Receivable Report
November 1997

The Office of the State Controller is responsible for the Statewide Accounts Receivable Program. The authority originates from North Carolina General Statute 147-86.20-.27. In fulfilling the reporting requirements, the Office of the State Controller provides you with the Statewide Accounts Receivable Report for fiscal year end June 30, 1997, displayed in a three-year analysis of receivables format.

The 1997 report marks completion of our first endeavor to fully integrate all receivable types shown on the Comprehensive Annual Financial Report's combined balance sheet. The new additional receivable types include both Interfund and Notes. Interfund receivables consist of four line items. These are entitled: Due from other funds, Due from component units, Due from primary government, and Advances to component units. Notes receivable is also shown as a separate line item. Consequently, as a result of these new additions, the total receivables in this year's report are considerably higher than in reports issued in previous years. However, after restating the numbers for the three year period and doing the appropriate analysis, the ending results are all comparative.

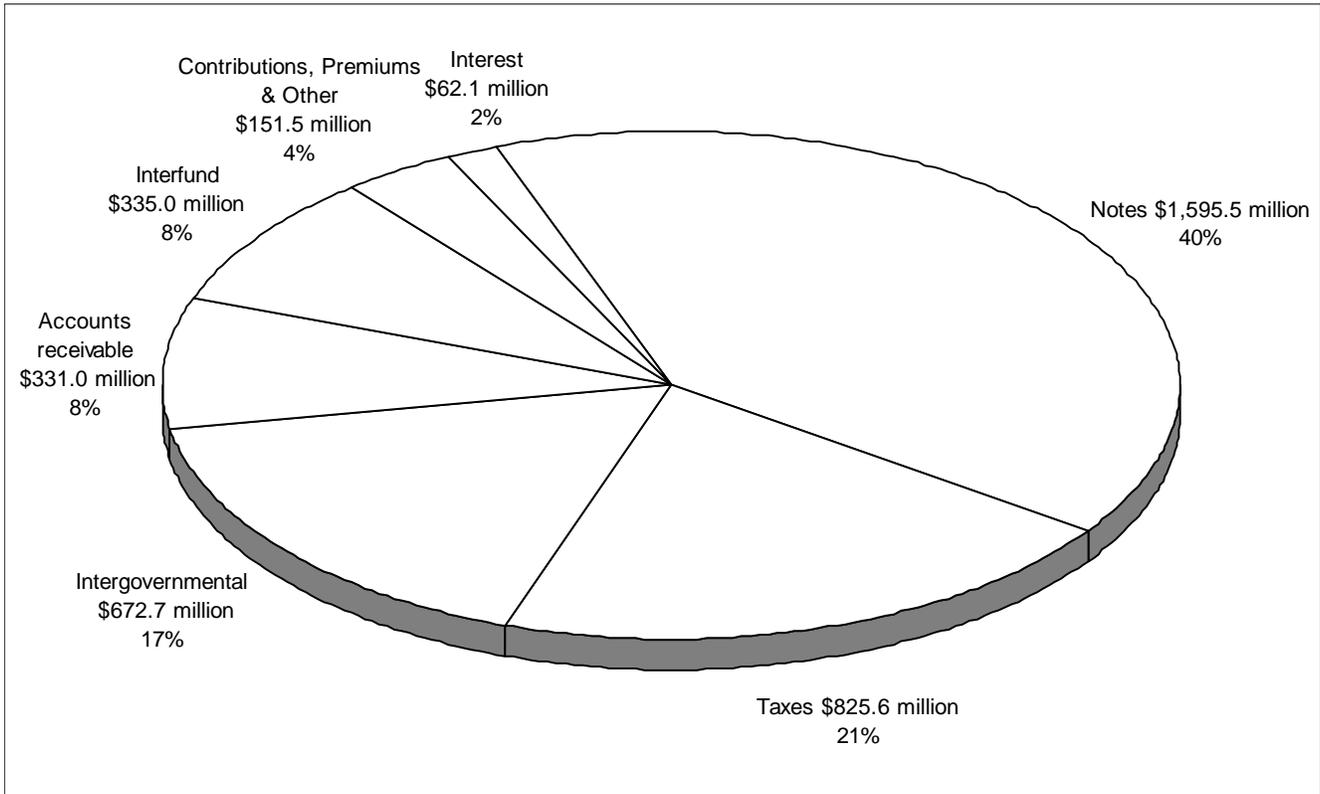
Total receivables increased \$335 million or 9.22% to \$3.973 billion which equates to 13.67% of total revenues as compared to 13.40% in 1996. Total revenues increased 7.10% to \$29.07 billion; therefore, there was only a slight increase in total receivables as a percent of total revenues. In summary, for every \$7.32 of revenues the State earns we carry \$1.00 in receivables.

To explain the \$335 million increase in total receivables for 1997 we need to look at several areas. The first involves notes receivable where there was a total increase of \$283 million, most of which occurred in the component unit proprietary funds. The bulk of it lies in the NC Housing Finance Agency, \$101 million, and the State Education Assistance Authority, \$117 million, the majority of which pertains to the non-current or long term portion of the notes. There were also increases of \$28 million in the Clean Water Revolving Loan and Grant Fund notes, which fall under nonexpendable trust funds, as well as \$23 million in the Clean Water Bonds Loan Fund notes, from special revenue funds. Secondly, taxes receivable increased by \$51 million, involving expendable trust funds, most of which was directly attributable to an increase of \$48 million in Unemployment Compensation Funds.

The following chart on page two summarizes the State of North Carolina's receivable components:

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State of North Carolina Total Receivables for the Year Ended June 30, 1997
\$3.973 billion

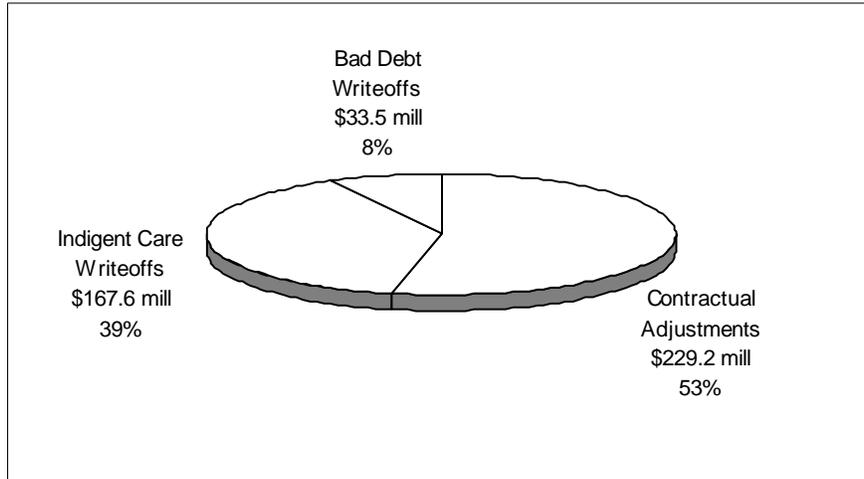


A greater effort was undertaken this year to make improvements in agency reporting of write-off information. Definite progress has been made in this area and we will continue to educate and inform the state's entities on the significant importance of reporting accurate and complete write-off information. The major area for state write-offs relates to healthcare business. This involves basically four agencies/institutions. These are UNC Hospitals, UNC Physicians & Associates of UNC-Chapel Hill, ECU's medical program and affiliation with Pitt County Hospital, and the Department of Human Resources via their hospital and patient treatment centers. The second major area for write-offs relates to taxes. These relate specifically to the Department of Revenue and the Employment Security Commission.

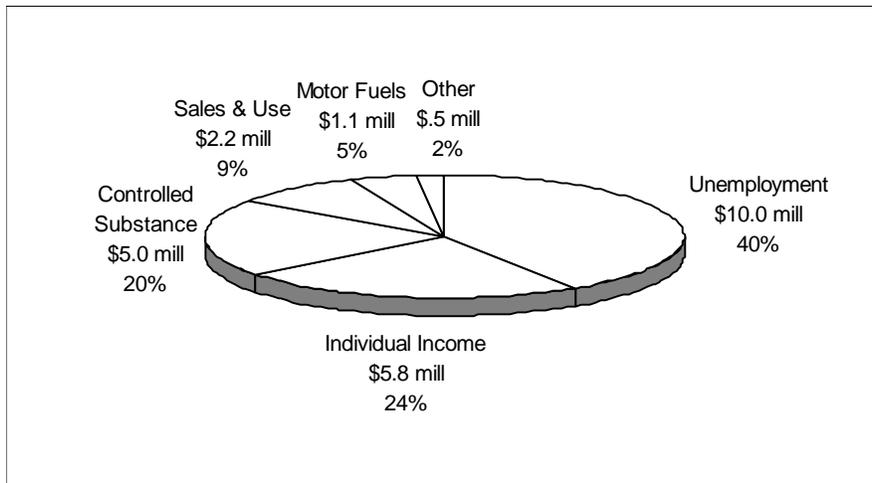
The following charts on page three summarize the State of North Carolina's major write-off components:

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State of North Carolina Total Healthcare Write-offs for FY 1997
\$430.3 million



State of North Carolina Total Tax Write-offs for FY 1997
\$24.6 million



There are two areas in which the Office of the State Controller is currently undertaking activity in order to improve the Statewide Accounts Receivable Program. First, we are in the process of obtaining funding to purchase the GEAC Financial Stream accounts receivable module. This is a software package which will encompass both invoice/billing, as well as accounts receivable processing. This will provide us with the necessary standardization to enhance automated reporting of detailed accounts receivable information statewide.

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Secondly, we have been directed to conduct a study to determine whether it is desirable and feasible for the State to establish a central clearinghouse for compiling debt setoff information. This directive is the result of Senate Bill 39: An Act To Revise The Setoff Debt Collection Act. It is our intent to explore the possibilities of expanding such a study to also further address statewide collections.

The State Controller believes that by continuing to stress more consistent accounts receivable policies and procedures, monitoring agency activity closely, coordinating information systems between agencies, and establishing and enforcing procedures for write-offs and setoff debt collection, the State can maximize the collection of past due accounts receivable.

Please contact the Office of the State Controller if additional information is required.