

Item Title: Information Relating to the Amounts Approved by the Chief Financial Officer for Removal from the County's Account Receivable Subsidiary Ledgers for the five fiscal years ended June 30, 2025

Specific Action Requested:

That the Board of Commissioners receives information for fiscal year 2025 concerning uncollectible Accounts Receivable, excluding Taxes and the Housing Program, that the Chief Financial Officer has been authorized to remove from the County's subsidiary ledgers, without extinguishing the underlying debt.

Item Summary:

Purpose: Per County ordinance, the Board of Commissioners must be notified of accounts with balances of less than \$5,000 that are deemed uncollectible and subsequently removed from the County's subsidiary accounts receivable ledgers.

Background: In accordance with NCGS 159-25, the Finance Officer/Chief Financial Officer has a duty to promote the efficient execution of maintaining financial accounts and records. State statutes do not address authority for removal of uncollectible accounts; therefore, the responsibility falls to the Board of Commissioners. In August 2015, the Board approved an ordinance delegating authority to the Finance Officer to remove uncollectible accounts from the County's detail ledgers in cases where the cost of collection exceeds the value of likely recovery.

Strategic Plan: This action supports routine County operations.

Fiscal Impact: None.

Additional Information:

The 2015 ordinance delegates authority to the Finance Officer to remove uncollectible accounts receivable balances from the Accounts Receivable subsidiary ledger, without extinguishing the underlying debt, for amounts that are at least five years old and are less than \$5,000 per account and are considered uncollectible. For any amounts greater than \$5,000 per account and considered uncollectible, these would be presented to the Board of Commissioners for approval to remove the uncollectible accounts.

For all accounts receivable, diligent and fair collection efforts will continue to be employed. These efforts may vary based on the type of account. Examples of collections methods include: mailed statements and letters, phone calls, service interruptions, payment method changes (cash only), collection agencies, property liens, payment interceptions, small claims court filings, and any other options allowable under NC law. The County also continues to utilize the Debt Set-Off Collection Procedure outlined in NCGS 105A for

eligible amounts where this method is deemed feasible, including receivables generated from public health programs and EMS Services.

Note: Ordinances noted above exclude tax and housing loan receivables. Taxes are governed by state statute, and the Tax Administration Director is responsible for billing and collections. Housing loans are unique in that the Housing Department works closely with the County Attorney developing the real estate documents for all housing loans.

Removal of Uncollectible Accounts

Once the Finance Department determines that administrative, legal, and other direct costs of collection are likely to exceed any money collected, the Finance Officer can deem the outstanding balances uncollectible. The total amount of receivables removed from the subsidiary ledgers were \$11,650,795 as of June 30, 2025. These represent receivables that had uncollected balances as of June 30, 2020. This action leaves a receivable balance of five years in the County's subsidiary ledger.

Financial Statement Impact

None of the accounts removed from the subsidiary ledgers have a negative impact on the County's financial statements. In accordance with generally accepted accounting principles, accounts receivable is reported in the financial statements *net of an allowance for doubtful accounts*. Given these amounts were included in that offsetting allowance, there is no impact on reported fund balance or revenues in the financial statements.

Receivables that are covered under this notification are Public Health and EMS transports. The procedure will not forgive or extinguish debt but allows for cessation of active collection efforts that are no longer cost effective to help Finance and departments manage billing systems more efficiently.

Attachments:

1. Ordinance
2. Accounts Receivable Uncollectible Amounts for fiscal year ended 2025