

January 29, 2016

The Honorable Andy Wells
Member of Joint Legislative Administrative Procedure Oversight Committee
16 W. Jones Street, Room 2113
Raleigh, NC 27601

Dear Senator Wells:

In preparation for your Committee's February 2nd meeting, I would like to present you with information explaining why the NC Board of Athletic Trainer Examiners (NCBATE) should *not* be included on the list of Boards recommended to be studied for potential consolidation with another regulatory entity as set out in the December 2014 PED Report, *OCCUPATIONAL LICENSING AGENCIES SHOULD NOT BE CENTRALIZED, BUT STRONGER OVERSIGHT IS NEEDED*.

Please see the enclosed documentation from the NCBATE's CPA that provides a correction to the original survey report by the Board of its net position amount and establishes that the NCBATE is, in fact, financially solvent. This is established by the PED financial solvency ratio calculation and revealed in the Board's audited financial statement. Therefore the NCBATE should NOT be included on the list of Boards recommended for consolidation. In addition, this information has been presented to and acknowledged by Mr. Chuck Hefren with the Program Evaluation Division.

Please do not hesitate to contact me should you have any further questions or comments.

Sincerely Yours,

A handwritten signature in cursive script, appearing to read "Kevin Allran".

Kevin Allran, LAT ATC
Chairman, NCBATE

Enclosures: 3

NORTH CAROLINA BOARD OF ATHLETIC TRAINER EXAMINERS

**Independent Accountants' Report on Applying Agreed-Upon Procedures
April 20, 2015**

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Board Chairman and
Members of the Board
North Carolina Board of Athletic Trainer Examiners
PO Box 10769
Raleigh, NC 27605

We have performed the procedures enumerated below, which were agreed to by the management of the North Carolina Board of Athletic Trainer Examiners ("the Board"), solely to assist you in evaluating the financial solvency and annual revenue calculations presented by the Program Evaluation Division (PED) of the Legislative Services Office of the North Carolina General Assembly in its Final Report – *Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed* (Report Number 2014-15 of December 17, 2014) to the Joint Legislative Program Evaluation Oversight Committee of the North Carolina General Assembly.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial solvency and annual revenue calculations of the North Carolina Board of Athletic Trainer Examiners or on any other information presented in the Program Evaluation Division (PED) of the Legislative Services Office of the North Carolina General Assembly in its Final Report – *Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed* (Report Number 2014-15 of December 17, 2014) to the Joint Legislative Program Evaluation Oversight Committee of the North Carolina General Assembly. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



Shelton L. Hawley, CPA, PA

April 20, 2015

Agreed-Upon Procedures

The procedures that we performed and our findings are as follows:

Procedures	Findings
<p>1. We determined the financial solvency and revenue criteria used by the Program Evaluation Division (PED) of the Legislative Services Committee of the North Carolina General Assembly in its Final Report – <i>Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed</i> (Report Number 2014-15 of December 17, 2014) to the Joint Legislative Program Evaluation Oversight Committee of the North Carolina General Assembly, that was used as criteria for assessment of occupational licensing boards (OLAs) which should be considered for consolidation with another regulatory entity.</p>	<p>We herewith reiterate PED Finding 6: Criteria for Assessment of OLAs for Consolidation with Another Regulatory Entity.</p> <p>The selection of each of the factors in the assessment of OLAs for potential consolidation with another regulatory entity was based on a review of literature and evaluations conducted by other states, and on the availability of quantifiable information from OLAs. The assessment used the following factors and associated scoring methodology to identify the OLAs that should be consolidated with another regulatory entity.</p> <p>Annual Revenue:</p> <p>This factor identifies the size of the OLA. The size of the OLA as measured by the annual revenue generated provides an indication of its ability to effectively provide oversight of the occupation/profession. Scoring was based on the annual revenue generated, as reported for the most recent reporting period. OLAs with less than \$100,000 in annual revenue received a score of zero. Occupational licensing boards with more than \$100,000, but less than \$500,000 in annual revenue received a score of five. OLAs with greater than \$500,000 in annual revenues received a score of ten.</p> <p>Financial Solvency:</p> <p>This factor compares the operating revenues and expenses generated by the OLA. Operating revenues that consistently exceed expenses provide an indication that the OLA has sufficient revenues to provide adequate protection to the public. Scoring was based on the ratio of the net position to annual expenses as reported on the most recently available financial statement. OLAs with a ratio of net worth to annual expenses of 0.5 or less received a score of zero. OLAs with a ratio of greater than 0.5 but less than 1.5 received a score of five. OLAs with a ratio of net worth to annual expenditures of greater than 1.5 received a score of ten.</p>
<p>2. We evaluated the appropriate reporting periods which should have been submitted for those periods requested in the survey for those boards which have fiscal year ends other than June 30.</p>	<p>Generally, boards with fiscal year ends other than June 30 submitted data for the most recent fiscal year end prior to the June 30 year end requested. For example, a Board which has a May 31 fiscal year end would have submitted data for the period ended May 31, 2014 in lieu of data for the period ended June 30, 2014. The Board has a different fiscal year end than June 30. Its fiscal year end is December 31.</p>

Procedures	Findings
3. We evaluated the annual expenses of the Board presented in the survey completed by the Board and submitted to the PED.	The expenses submitted by the Board to the PED were incorrect. The board submitted data for the calendar year ended after the fiscal year end requested, instead of data for the calendar year ended preceding the fiscal year end requested, for the earliest four fiscal years. Further, the Board submitted no data for the last period requested. See the attached Schedule of Recalculations of Financial Ratios and Data.
4. We evaluated the annual revenues of the Board presented in the survey completed by the Board and submitted to the PED.	The revenues submitted by the Board to the PED were incorrect. The Board submitted data for the calendar year ended after the fiscal year end requested, instead of data for the calendar year ended preceding the fiscal year end requested, for the four earliest fiscal years. The Board submitted unaudited and unadjusted revenues for the FYE 2011-12. Further, the Board submitted no revenue data for the last period requested. See the attached Schedule of Recalculations of Financial Ratios and Data.
5. We evaluated the net position amount of the Board presented in the survey completed by the Board and submitted to the PED.	The net position amount submitted by the Board to the PED was incorrect and varied greatly from the correct number. See the attached Schedule of Recalculations of Financial Ratios and Data.
6. We computed the financial solvency ratio based on the annual expenses and net position of the Board presented in the survey completed by the Board and submitted to the PED for June 30, 2014.	This was calculated correctly by the PED using the data provided by the Board; however, incorrect raw data yields incorrect results. See the attached Schedule of Recalculations of Financial Ratios and Data.
7. We re-computed the financial solvency ratio(s) based on the annual expenses and net position of the Board which <i>should have</i> been presented in the survey to the PED for June 30, 2014 (or the most recent relevant period if the fiscal year end was other than June 30, 2014). This input data was extracted from the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Net Position of the Independent Auditors' Report.	The recalculated financial solvency ratio(s) exceeded the criteria benchmark which read "greater than 1.5 received a score of 10." See the attached Schedule of Recalculations of Financial Ratios and Data.
8. We computed the annual revenues test based on the annual revenues of the Board presented in the survey completed by the Board and submitted to the PED for June 30, 2014.	This was calculated correctly, but was calculated for the wrong period; however, both the incorrect and correct calculation (below) exceeded the criteria benchmark which read "greater than \$100,000 but less than \$500,000 received a score of 5." See the attached Schedule of Recalculations of Financial Ratios and Data.

Procedures	Findings
<p>9. We re-computed the annual revenues test based on the annual revenues of the Board which <i>should have</i> been presented in the survey to PED for June 30, 2014 (or the most recent relevant period if the fiscal year end was other than June 30, 2014). This input data was extracted from the Statement of Revenues, Expenses and Changes in Net Position of the Independent Auditors' Report.</p>	<p>The recalculated annual revenues test exceeded the criteria benchmark which read "greater than \$100,000 but less than \$500,000 received a score of 5." See the attached Schedule of Recalculations of Financial Ratios and Data.</p>
<p>10. We computed the "Assessment of OLAs for Consolidation with Another Regulating Entity" cumulative total score based on the factor ratios which were derived from erroneous input data as denoted in the preceding "Procedures" sections.</p>	<p>This was calculated correctly by the PED using the data provided by the Board; however, incorrect raw data yields incorrect results. See the attached Schedule of Recalculations of Financial Ratios and Data.</p>
<p>11. We re-computed the "Assessment of OLAs for Consolidation with Another Regulating Entity" cumulative total score of the Board which <i>should have</i> been presented in the survey to PED for June 30, 2014 (or the most recent relevant period if the fiscal year end was other than June 30, 2014). This input data was extracted from the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Net Position of the Independent Auditors' Report.</p>	<p>The recalculated "Assessment of OLAs for Consolidation with Another Regulating Entity" cumulative total score was 15, and exceeded the cumulative total score (of less than 10) which was cited for consideration of potential consolidation with another regulatory entity. Based on the cited criteria in the Final Report – <i>Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed</i>, <u>the North Carolina Board of Athletic Trainer Examiners should not have been included in the category considered for consolidation based on the criteria established by PED.</u> See the attached Schedule of Recalculations of Financial Ratios and Data.</p>

RECALCULATIONS

CALCULATIONS PER PED REPORT

Fiscal Year Requested by PED	Relevant Fiscal Year Used for Calculations	Operating Revenues Accrual Basis	Interest Income Accrual Basis	Operating Expenses Accrual Basis	Net Position Accrual Basis	Financial Solvency Ratios Net Position/Annual Expenses
2009-2010		\$ 70,000		\$ 47,835		
2010-2011		\$ 110,375		\$ 47,822		
2011-2012		\$ 112,975		\$ 52,331		
2012-2013		\$ 113,753		\$ 54,904		
2013-2014		\$ 0		\$ 0	\$ -4,093	-0.07
* PED divided 2014 net position by 2013 expenses.						
APPENDIX B: Assessment of OLAs for Consolidation with Another Regulating Entity PER PED REPORT						
Fiscal Year 2013-2014 Relevant Fiscal Year 12/31/2013		Profession Regulated By OLA	Annual Revenue Score	Financial Solvency Score	Total Score	
		Athletic Trainers	5	0	5	
* PED used 2012-2013 revenues, which exceeded \$100,000.						

issued an exposure draft in August on *Reporting Items Previously Recognized as Assets and Liabilities*.

The introduction of two new financial statement elements raises a practical issue of terminology. Prior to GASB Concepts Statement No. 4, it was accurate to describe the difference between the basic elements reported on the statement of position as *net assets*, because that amount truly represented the difference between assets and everything else:

	Assets
Less:	Liabilities
	<u>Net assets</u>

Following GASB Concepts Statement No. 4, however, the difference between 1) assets plus deferred outflows and 2) everything else can no longer properly be described as net assets:

	Assets + deferred outflows
Less:	Liabilities + deferred inflows
	<u>Net[assets + deferred outflows]</u>

Accordingly, the GASB had to come up with an appropriate term to describe the new net amount. The board also had to decide whether *net assets* should continue to be reported as a *subcategory* of this new net amount.

GUIDANCE

Accountants use the generic term *statement of financial position* to describe whatever basic financial statement is used to provide information on the balances in an entity's permanent accounts (accounts that are not closed at the end of the reporting period). Given that fact, the GASB concluded

that an appropriate term to describe the new net amount would be *net position*:

	Assets + deferred outflows
Less:	Liabilities + deferred inflows
	<u>Net position</u>

Accordingly, any statement of financial position prepared using the economic resources measurement focus and the accrual basis of accounting will henceforth replace the term *net assets* with *net position*, as follows:

Government-wide statement of *net assets* ⇒ Government-wide statement of *net position*

Statement of *net assets* (proprietary funds) ⇒ Statement of *net position* (proprietary funds)

Statement of fiduciary *net assets* ⇒ Statement of fiduciary *net position*

The GASB considered the possibility of continuing to report the three components of net assets in a separate subcategory of net position, as follows:

Assets	\$100
Deferred outflows	5
Liabilities	\$50
Deferred inflows	1
Net position:	
Net assets:	
Invested in capital assets, net of related debt	45
Restricted	2
Unrestricted	3
Other	<u>4</u>

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Ultimately, however, the board decided to report only net position, using a modified form of the current three components used for net assets:

Assets	\$100
Deferred outflows	5
Liabilities	\$50
Deferred inflows	1
Net position:	
Net investment in capital assets	45
Restricted	3
Unrestricted	6

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A deferred outflow of resources or a deferred inflow of resources could have a significant effect on the amount reported in one of the three components of *net position*. Assume, for example, that a government transferred the management of one of its facilities to an outside party pursuant to a 20-year service concession arrangement in consideration of a \$100 upfront cash payment that was offset by a corresponding \$100 deferred inflow of resources. The initial transaction would have no effect on the categorization of net position (\$100 asset - \$100 *deferred inflow of resources* = \$0 net position). However, once the government began to spend the cash, the difference between the unspent cash balance and the unamortized balance of the deferred inflow of resources that produced the cash could become significant to the component of *net position* in which it is included. If so, GASB Statement No. 63 would require a note disclosure of that fact. ¶

STEPHEN J. GAUTHIER is director of the GFOA's Technical Services Center in Chicago, Illinois.