

NORTH CAROLINA APPRAISAL BOARD

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014



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NORTH CAROLINA APPRAISAL BOARD

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NORTH CAROLINA APPRAISAL BOARD

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

The following is a discussion and analysis of the North Carolina Appraisal Board's (the "Board") financial performance for the fiscal year ended June 30, 2015. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous years are presented in the analysis.

Financial Highlights

The operating revenues of the Board increased \$23,640 or 1.8%. The reason for the increase was primarily due to an increase in Appraisal Management Company applications, and more Continuing Education roster fees since 2015 was a year in which the continuing education hours are checked. There was an increase in License History fees for Appraisal Management Companies, as it appears some other states are requiring them for application and annual renewal. There were also \$12,000 in civil penalties collected and recorded as revenue, but these funds are not kept by the board and are offset by an equal expense.

Non-operating revenues were down \$4,379 or 62.2%, due primarily to the continued reduction in interest rates. Management, in consultation with the Finance Committee, has decided it is more practical to eliminate risk for funds held in reserve than the amount of return that could be gained by less certain investments. Management will continue to gauge certificates of deposit and money market rates and recommend reallocation when appropriate.

The operating expenses of the Board increased by \$24,405 or 1.9%. The increase in expenses was primarily due to salary costs increasing based on the raise given for the fiscal year 2014-15. Board member expenses were higher due to an additional Board meeting and more Board members attending the Spring AARO Conference. As noted above there were civil penalties collected and passed on to the Office of State Budget and Management, so this line item was offset by an equal amount of revenue.

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements report information about the Board using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and noncurrent portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's net position changed as a result of the year's operations.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Basic Financial Statements (Continued)

The Statements of Cash Flows present information on how the Board's cash changed as a result of the year's activity.

The following presents condensed financial information for Board operations as of and for the year ended June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,656,657	\$ 2,579,588	\$ 2,549,507
Non-current assets	39,446	97,290	-
Capital assets - net of depreciation	<u>2,265,728</u>	<u>2,234,140</u>	<u>2,278,467</u>
Total assets	<u>4,961,831</u>	<u>4,911,018</u>	<u>4,827,974</u>
Current liabilities	1,049,548	1,065,045	1,051,933
Non-current liabilities	<u>47,222</u>	<u>47,400</u>	<u>49,100</u>
Total liabilities	<u>1,096,770</u>	<u>1,112,445</u>	<u>1,101,033</u>
Investment in capital assets	2,265,728	2,234,140	2,278,467
Unrestricted	<u>1,599,333</u>	<u>1,564,433</u>	<u>1,448,474</u>
Total net position	<u>\$ 3,865,061</u>	<u>\$ 3,798,573</u>	<u>\$ 3,726,941</u>
Operating revenues	\$ 1,361,180	\$ 1,337,540	\$ 1,390,790
Operating expenses	<u>1,297,352</u>	<u>1,272,947</u>	<u>1,180,775</u>
Operating income	<u>63,828</u>	<u>64,593</u>	<u>210,015</u>
Non-operating revenues	<u>2,660</u>	<u>7,039</u>	<u>8,843</u>
Changes in net position	<u>\$ 66,488</u>	<u>\$ 71,632</u>	<u>\$ 218,858</u>

Events Affecting Future Operations

New Criteria - The Appraiser Qualifications Board implemented changes in the education requirements to become a real estate appraiser beginning January 1, 2015. These changes, specifically a four year degree requirement for certification, will likely cause a decrease in the number of trainee applications as there is a smaller pool of candidates that meet this requirement.

Registered trainees are still finding it difficult to find supervisors and when they do, the assignments they are allowed to work on may be limited by certain clients. These limited opportunities along with increased educational criteria for becoming an appraiser, will likely reduce the number of trainee applicants for the foreseeable future. The upcoming criteria change appears to have caused most certified appraisers to maintain their credentials since there is now a high threshold for reentering the profession.

The licensed residential credential began being offered again in 2015, which allows someone with an associate's degree to progress beyond the trainee level. Management does not see this as having a significant impact on applications as appraisal assignments are becoming more limited for appraisers that are not certified.

NORTH CAROLINA APPRAISAL BOARD

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Application and Renewal Fees - Renewal fees have remained unchanged on appraiser licenses since 1994, but the cost of operations has steadily increased over time. Although certified appraisers are continuing to renew at a high rate, the number of new applications are not quite keeping up with the number retiring or leaving the profession each year and this is slowly impacting the amount of revenue from appraiser applications and renewal fees. The additional revenue received from the registration of Appraisal Management Companies has delayed the need to consider a fee increase; however, revenue needs to continue to be closely monitored as it is a lengthy process to obtain legislative approval and implement a change in the fee structure. Management in consultation with the Board needs to consider what changes may be necessary to the way resources are allocated towards future operations if the trend continues of having fewer appraisers and a smaller number of complaints.

Technology Upgrades - The Board contracts out the monitoring, maintenance and updating of the computer system which is a higher monthly cost, but reduces risk both financially and from the possible loss of information due to a system crash. Management recommended the Board begin the process of transitioning to a computerized application, record keeping, and case management, including an online payment system for applications and renewals. The Board entered into a contract with Accela, Inc. in April 2014, to provide this system and also agreed to prepay 3 years of maintenance and support in order to obtain a 15% discount. Although the maintenance and support subscription will show as an expense well into the 2016-2017 budget year, this has already been paid and represents funds being replenished into reserves. The database project is underway and it is management's objective to have the new system up and running near the end of 2015. Management recommends the Board continue to explore ways of using technology to maximize efficiency and minimize the costs of investigations, as well as Board and committee meetings.

Purchase of USPAP Books - Every other Fall The Appraisal Foundation publishes a new edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This coincides with the 7-hour USPAP update course that appraisers must take in the first half of each even-numbered year. For the past several editions the Board has elected to supplement the cost of these books for licensees. In 2013, the Board covered the cost of the book and only required the licensees to pay the shipping cost. The Appraisal Foundation has indicated the reduced cost for bulk purchase will be \$30 for the book and \$10 to mail it directly to licensees. Based on past orders, management would recommend setting aside \$60,000 of unrestricted net assets, to cover the cost of the books for this cycle. This is based on previous orders of approximately 2,000 copies.

Cash Reserves - The Board continues to have reserved unrestricted net assets necessary to cover operations, potential legal matters and any possible repairs to fixed assets. Management feels that most of the reserves are adequate at this time but recommends that additional technology funds be set aside to replenish those spent on the implementation of the database. This recommendation is to allow for future expenses such as redesign of the website, replacement of the server, and future technology that may be required to conduct virtual meetings and/or conferences.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact: North Carolina Appraisal Board, 5830 Six Forks Road, Raleigh, North Carolina 27609.

Independent Auditor's Report

Members of the Board
North Carolina Appraisal Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Appraisal Board (the "Board"), an enterprise fund of the state of North Carolina, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Appraisal Board as of June 30, 2015 and 2014, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only those of the North Carolina Appraisal Board and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 1 - 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
September 9, 2015

NORTH CAROLINA APPRAISAL BOARD
Statements of Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
Current assets:		
Cash	\$ 2,597,393	\$ 2,519,343
Prepaid subscription fees	52,590	55,600
Other current assets	6,674	4,645
Total current assets	<u>2,656,657</u>	<u>2,579,588</u>
Non-current assets:		
Prepaid subscription fees	39,446	97,290
Total non-current assets	<u>39,446</u>	<u>97,290</u>
Capital assets - net		
Land	440,000	440,000
Building	1,651,682	1,725,927
Furniture, equipment and software	174,046	68,213
Total capital assets - net	<u>2,265,728</u>	<u>2,234,140</u>
Total assets	<u>4,961,831</u>	<u>4,911,018</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	13,606	15,460
National Registry fees payable	101,665	93,585
Flex plan payable	1,861	-
Unearned revenues	932,416	956,000
Total current liabilities	<u>1,049,548</u>	<u>1,065,045</u>
Non-current liabilities:		
Accrued vacation	47,222	47,400
Total non-current liabilities	<u>47,222</u>	<u>47,400</u>
Total liabilities	<u>1,096,770</u>	<u>1,112,445</u>
NET POSITION:		
Invested in capital assets	2,265,728	2,234,140
Unrestricted	1,599,333	1,564,433
Total net position	<u>\$ 3,865,061</u>	<u>\$ 3,798,573</u>

NORTH CAROLINA APPRAISAL BOARD
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Renewal fees	\$ 1,051,900	\$ 1,057,700
Application fees	88,500	60,100
National Registry fees	61,900	65,840
Licensee rosters	320	360
Reciprocity	16,600	18,000
Course approval	8,600	9,450
Temporary permit applications	55,200	61,200
Supervisor training course	1,700	4,000
USPAP	-	18,730
CE roster fees	37,265	24,655
Civil penalties received	12,000	-
Other	27,195	17,505
Total operating revenues	1,361,180	1,337,540
Operating expenses:		
Personnel costs	680,928	654,936
Insurance	101,977	99,790
Staff expenses	34,628	50,590
Legal	135,952	134,450
Board member expenses	66,624	54,981
Professional fees	6,900	6,900
Building expenses	46,019	38,024
Office operations	67,532	67,118
Depreciation	85,639	88,976
Subscription fees	54,287	13,900
USPAP	-	56,685
Supervisor training course	389	299
Civil penalties remitted	12,000	-
Other	4,477	6,298
Total operating expenses	1,297,352	1,272,947
Operating income	63,828	64,593
Non-operating revenues (expenses):		
Interest income	2,797	7,440
Loss on disposal of equipment	(137)	(401)
Total non-operating revenues	2,660	7,039
Changes in net position	66,488	71,632
Net position - beginning of year	3,798,573	3,726,941
Net position - end of year	\$ 3,865,061	\$ 3,798,573

NORTH CAROLINA APPRAISAL BOARD
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from fees	\$ 1,337,596	\$ 1,352,540
Cash payments to employees for services	(681,106)	(656,636)
Cash payments to suppliers for goods and services	(357,755)	(573,456)
Cash payments for other operating expenses	(106,118)	(112,168)
Net cash provided by operating activities	<u>192,617</u>	<u>10,280</u>
Cash flows from investing activities:		
Proceeds from investments	-	251,990
Interest on investments	2,797	7,440
Net cash provided by investing activities	<u>2,797</u>	<u>259,430</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(117,364)	(45,050)
Net cash used in capital and related financing activities	<u>(117,364)</u>	<u>(45,050)</u>
Increase in cash	78,050	224,660
Cash - beginning of year	<u>2,519,343</u>	<u>2,294,683</u>
Cash - end of year	<u>\$ 2,597,393</u>	<u>\$ 2,519,343</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 63,828	\$ 64,593
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	85,639	88,976
Changes in assets and liabilities:		
Other current assets	(2,029)	(1,811)
Prepaid subscription fees	60,854	(152,890)
Accounts payable	(1,854)	(11,270)
National Registry fees payable	8,080	11,840
Flex plan payable	1,861	(2,458)
Unearned revenues	(23,584)	15,000
Accrued vacation	(178)	(1,700)
Total adjustments	<u>128,789</u>	<u>(54,313)</u>
Net cash provided by operating activities	<u>\$ 192,617</u>	<u>\$ 10,280</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Appraisal Board (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93E of the *North Carolina General Statutes*. The Board members are appointed by the Governor, the Speaker of the House, and the President Pro Tempore of the Senate.

The Board's function is to maintain minimum standards for services provided by appraisers and Appraisal Management Companies. The Board's operations are funded primarily through license renewal fees and license application fees.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America ("GAAP"), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Comprehensive Annual Financial Report* (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

The accompanying basic financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins.

NORTH CAROLINA APPRAISAL BOARD
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board classifies its revenues and expenses as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of license renewal fees. Operating expenses are all expense transactions other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investment activities.

Cash

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of the Statement of Cash Flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	5 - 39 years
Furniture, equipment and software	3 - 7 years

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

Unearned Revenues

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the accounting period. Licenses are renewed for a period of one fiscal year. Renewal fees received prior to the end of the fiscal year are deferred and recognized as revenue in the period to which they relate.

Accrued Vacation Pay

The vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. Accumulated earned vacation at June 30, 2015 and 2014, totaled \$47,222 and \$47,400, respectively.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. There is no liability for unpaid accumulated sick leave because the Board has no obligation to pay sick leave upon employee termination or retirement.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This represents the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted - Assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

Designations of net position represent tentative management plans that are subject to change based on perceived operating conditions and situations.

Designated amounts as of June 30, 2015 were as follows:

Annual leave	\$ 56,000
Operating expenses	600,000
Replace fixed assets	75,000
Litigation	350,000
Technology	134,085
Total designated balances	<u>\$1,215,085</u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS

All funds of the Board are deposited in board-designated official depositories.

The Board is subject to the following risks:

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its collateral securities that are in the possession of an outside party.

The Board maintains an account through a financial institution's insured cash sweep program ("ICS"), which insures amounts up to \$75 million. At June 30, 2015, the bank balance in this account was \$1,858,115.

The Board's remaining accounts are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation ("FDIC") and the National Credit Union Administration ("NCUA") up to \$250,000 per institution. At June 30, 2015, the Board's uninsured cash balances totaled \$253,482. Throughout the fiscal year, the Board's deposits exceeded the amounts insured by the FDIC and NCUA.

NORTH CAROLINA APPRAISAL BOARD**Notes to Financial Statements**

NOTE 3 - CAPITAL ASSETS

Capital assets consist of the following:

	Cost 6/30/2014	Acquisitions	Disposals	Cost 6/30/2015	Accumulated Depreciation	Net Amount
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	663,256	1,651,682
Furniture/ equipment/ software	290,577	117,364	4,506	403,435	229,389	174,046
	<u>\$ 3,045,515</u>	<u>\$ 117,364</u>	<u>\$ 4,506</u>	<u>\$ 3,158,373</u>	<u>\$ 892,645</u>	<u>\$ 2,265,728</u>

	Cost 6/30/2013	Acquisitions	Disposals	Cost 6/30/2014	Accumulated Depreciation	Net Amount
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	589,011	1,725,927
Furniture/ equipment	247,956	45,050	2,429	290,577	222,364	68,213
	<u>\$ 3,002,894</u>	<u>\$ 45,050</u>	<u>\$ 2,429</u>	<u>\$ 3,045,515</u>	<u>\$ 811,375</u>	<u>\$ 2,234,140</u>

NOTE 4 - RETIREMENT PLAN

The Board has a simplified employee pension (SEP) plan covering all employees with no waiting period. For the years ended June 30, 2015 and 2014, the Board contributed 10%, or \$57,808 and \$55,781, respectively, on behalf of its employees. Employee contributions for the years ended June 30, 2015 and 2014 totaled \$30,383 and \$33,766, respectively. The Board has authority over the SEP plan.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows:

Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
<u>\$ 47,400</u>	<u>\$ 42,148</u>	<u>\$ 42,326</u>	<u>\$ 47,222</u>

Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
<u>\$ 49,100</u>	<u>\$ 41,051</u>	<u>\$ 42,751</u>	<u>\$ 47,400</u>

NORTH CAROLINA APPRAISAL BOARD
Notes to Financial Statements

NOTE 6 - LEASE COMMITMENTS

The Board has operating leases for two copiers and a postage machine. For the fiscal years ended June 30, 2015 and 2014, lease expense was \$7,368 and \$7,773, respectively. The following is a schedule of future minimum lease payments required under the leases:

<u>Years Ending June 30:</u>	
2016	\$ 5,900
2017	2,268
2018	2,268
2019	2,268
Total	<u>\$ 12,704</u>

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are managed using a combination of the purchase of commercial insurance and various State coverages. Tort claims of board members are self-insured, by the State, under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract.

NOTE 8 - COMMITMENTS

In March 2014, the Board entered into a contract for the installation of a new software system. Subscription fees totaling \$166,790 were paid in April 2014 and cover the three-year period of March 31, 2014 through March 30, 2017. Of this amount, \$54,287 and \$13,900 were expensed during the years ended June 30, 2015 and 2014, respectively, and the balance of \$92,036 and \$152,890 was recorded as a prepaid asset as of June 30, 2015 and 2014, respectively. The total contracted amount under the service agreement is \$180,200 plus expenses of approximately \$18,000, which have been billed as monthly progress payments. During the years ended June 30, 2015 and 2014, progress billings of \$115,915 and \$45,050, respectively, were paid and capitalized at June 30, 2015 and 2014, respectively. The final payment of approximately \$22,525 is expected to be paid during the fiscal year ending June 30, 2016 when the project is completed.

The Board entered into a twelve-month agreement for landscaping services beginning in July 2014, payable in monthly installments of \$450. Either party may discontinue the contract by giving thirty days written notice.

NOTE 9 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 9, 2015, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 70 hours at a total cost of \$7,100.