

NORTH CAROLINA APPRAISAL BOARD

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018



NORTH CAROLINA APPRAISAL BOARD

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NORTH CAROLINA APPRAISAL BOARD

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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, 2019. 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 decreased \$9,745 which is less than 1%. Most revenue items remained stable in fiscal year 2018-19. Renewals were slightly higher but were offset by a decrease in new AMC applications and the fact that there was no income received to mail USPAP books. Without the mailing costs, which are a pass through, there would have been an increase of just over \$8,000.

Net non-operating revenue was \$37,876 for the current year, compared to \$115,875 in the prior year. Non-operating revenue in the prior year was higher due to a \$111,937 refund from Accela. Non-operating revenue includes net investment income in the current and prior year of \$37,876 and \$3,938, respectively. The current year increase is due primarily to an increase in unrealized gains due to favorable market conditions.

The operating expenses of the Board decreased \$158,782 or approximately 11.8%. There were three major contributors to the decrease in expenses. Fiscal year 2018-19 was the first full year with the reduction of personnel that took place in 2017-18. Also, the Legal Counsel, contracted from the Department of Justice, was revised to a 50% position. Finally, there was a reduction of almost \$86,000 since there was no purchase of USPAP books for licensees in 2018-19.

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.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Basic Financial Statements (Continued)

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 years' operations.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 2,248,074	\$ 2,173,946	\$ 2,066,085
Non-current assets	585,242	549,573	541,531
Capital assets - net of depreciation	1,828,310	1,878,414	1,956,571
Total assets	<u>4,661,626</u>	<u>4,601,933</u>	<u>4,564,187</u>
Current liabilities	905,034	962,485	962,116
Non-current liabilities	55,098	49,366	52,363
Total liabilities	<u>960,132</u>	<u>1,011,851</u>	<u>1,014,479</u>
Investment in capital assets	1,828,310	1,878,414	1,956,571
Unrestricted	1,873,184	1,711,668	1,593,137
Total net position	<u>\$ 3,701,494</u>	<u>\$ 3,590,082</u>	<u>\$ 3,549,708</u>
Operating revenues	\$ 1,254,840	\$ 1,264,585	\$ 1,252,272
Operating expenses	1,181,304	1,340,086	1,310,759
Operating income (loss)	73,536	(75,501)	(58,487)
Non-operating revenues (expenses)	37,876	115,875	(157,648)
Changes in net position	<u>\$ 111,412</u>	<u>\$ 40,374</u>	<u>\$ (216,135)</u>

Events Affecting Future Operations

Market Demand - The Appraiser Qualifications Board (AQB) implemented changes in the education requirements to become a real estate appraiser effective May 1, 2018. These changes no longer require a four-year degree to become Certified Residential and significantly reduces the time it takes for Trainees to get the necessary experience to a licensed or certified credential. The North Carolina General Assembly passed legislation, that was signed by the Governor, to adopt these changes in the criteria effective October 1, 2019. These changes open the doors for someone without a college degree to become a Licensed Residential Appraiser and then progress to Certified Residential with five years of experience. There is also potential federal legislation that would lift the restrictions for Licensed Residential doing certain types of assignments. These changes should allow more individuals to consider the Licensed Residential category as an option.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Events Affecting Future Operations (Continued)

Application and Renewal Fees -Application and renewal fees have remained unchanged on appraiser licensees since 1994, and the cost of operations continues to steadily increase. Certified appraisers continue to renew at a high percentage, but new applications have been slightly less than the numbers that retire or leave the profession for other reasons. While it is possible that the reduction in some of the college education and experience requirements could increase applications in the short term, changes in the valuation profession, including higher thresholds for when lenders must utilize appraisals, makes the long-term future less certain. There were fewer new applications for Appraisal Management Companies in fiscal year 2018-19, but the renewals have been mostly stable. Since application and renewal fees are over 90% of the Board's revenue, management will continue to monitor when making long term decisions.

Technology Upgrades - During the previous fiscal year, the Board received a refund of approximately \$112,000 from the termination of the prior database contract. The Board recently agreed to a smaller upgrade of the database, with our current provider, that will specifically address the need for online renewal payments for appraisers and AMC's, an improved continuing education reporting system and temporary practice permit applications all with the ability to make payments online by credit card. The installation along with a migration to a new SQL server and website modernization will cost approximately \$75,000. Hardware upgrades and installation along with the new software for the SQL server will likely be another \$25,000. Even with some modifications to the project the cost should remain close to the amount refunded from the previous contract. Management feels the Board should look to earmark additional funds, for future technology upgrades, but there are no other large projects currently anticipated.

Cash Reserves -The Board continues to have designated 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 believes that the Board should continue to allocate funds for ever changing technology needs going forward. The building is now just over 13 years old and there will likely be a need for painting and carpeting, in the higher traffic areas, over the next few years.

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, 2019 and 2018, 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, 2019 and 2018, 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 are presented only for 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, 2019 and 2018, 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. Our opinion is not modified with respect to this matter.

Other Matter***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 18, 2019

NORTH CAROLINA APPRAISAL BOARD
Statements of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Current assets:		
Cash	\$ 2,045,113	\$ 1,969,036
Investments	199,524	201,880
Other current assets	3,437	3,030
Total current assets	<u>2,248,074</u>	<u>2,173,946</u>
Non-current assets:		
Investments	<u>585,242</u>	<u>549,573</u>
Capital assets - net:		
Land	440,000	440,000
Building	1,356,825	1,430,248
Furniture, equipment and software	31,485	8,166
Total capital assets - net	<u>1,828,310</u>	<u>1,878,414</u>
Total assets	<u>4,661,626</u>	<u>4,601,933</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	5,407	14,829
Payroll liabilities	5,752	191
National Registry fees payable	7,865	17,465
Unearned revenues	886,010	930,000
Total current liabilities	<u>905,034</u>	<u>962,485</u>
Non-current liabilities:		
Accrued vacation	<u>55,098</u>	<u>49,366</u>
Total non-current liabilities	<u>55,098</u>	<u>49,366</u>
Total liabilities	<u>960,132</u>	<u>1,011,851</u>
NET POSITION:		
Invested in capital assets	1,828,310	1,878,414
Unrestricted	<u>1,873,184</u>	<u>1,711,668</u>
Total net position	<u>\$ 3,701,494</u>	<u>\$ 3,590,082</u>

NORTH CAROLINA APPRAISAL BOARD
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Renewal fees	\$ 1,018,450	\$ 996,400
Application fees	47,200	65,600
National Registry fees	59,540	60,040
Licensee rosters	50	430
Reciprocity	22,000	20,400
Course approval	6,500	11,100
Temporary permit applications	55,500	51,900
USPAP	-	17,780
CE roster fees	36,635	26,840
Civil penalties received	-	5,000
Other	8,965	9,095
Total operating revenues	1,254,840	1,264,585
Operating expenses:		
Personnel costs	654,771	693,107
Insurance	98,867	99,425
Staff expenses	31,661	33,997
Legal	106,246	151,635
Board member expenses	59,953	51,445
Professional fees	8,500	8,250
Building expenses	53,166	55,245
Office operations	87,167	72,996
Depreciation	76,604	78,157
USPAP	-	85,911
Civil penalties remitted	-	5,000
Other	4,369	4,918
Total operating expenses	1,181,304	1,340,086
Operating income (loss)	73,536	(75,501)
Non-operating revenues (expenses):		
Interest income	19,643	13,822
Refund - Accela software	-	111,937
Unrealized gain (loss)	18,233	(9,884)
Total non-operating revenues	37,876	115,875
Changes in net position	111,412	40,374
Net position - beginning of year	3,590,082	3,549,708
Net position - end of year	\$ 3,701,494	\$ 3,590,082

NORTH CAROLINA APPRAISAL BOARD
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from fees	\$ 1,210,850	\$ 1,263,785
Cash payments to employees for services	(643,478)	(698,583)
Cash payments to suppliers for goods and services	(377,744)	(474,832)
Cash payments for other operating expenses	(91,614)	(90,442)
Net cash provided by (used in) operating activities	<u>98,014</u>	<u>(72)</u>
Cash flows from investing activities:		
Purchase of investments	(215,080)	(211,068)
Sale of investments	200,000	200,000
Interest on investments	19,643	13,822
Net cash provided by investing activities	<u>4,563</u>	<u>2,754</u>
Cash flows from capital and financing activities:		
Deposit on database upgrade	(26,500)	-
Refund - Accela software	-	111,937
Net cash provided by (used in) capital and financing activities	<u>(26,500)</u>	<u>111,937</u>
Increase in cash	76,077	114,619
Cash - beginning of year	<u>1,969,036</u>	<u>1,854,417</u>
Cash - end of year	<u><u>\$ 2,045,113</u></u>	<u><u>\$ 1,969,036</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 73,536	\$ (75,501)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	76,604	78,157
Changes in assets and liabilities:		
Other current assets	(407)	(100)
Accounts payable	(9,422)	(1,312)
Payroll liabilities	5,561	(2,479)
National Registry fees payable	(9,600)	4,960
Unearned revenues	(43,990)	(800)
Accrued vacation	5,732	(2,997)
Total adjustments	<u>24,478</u>	<u>75,429</u>
Net cash provided by (used in) operating activities	<u><u>\$ 98,014</u></u>	<u><u>\$ (72)</u></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 may be 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.

Basis of Presentation

The accompanying basic financial statements are presented in accordance with GAAP 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 and loss on disposal or write-off of capital assets.

The Board adopted GASB Statement No. 88, *Certain disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued in March 2018 by the Governmental Accounting Standards Board and effective for reporting periods beginning after June 15, 2018. The GASB had no effect on the amounts previously reported or disclosed in these financial statements.

Cash

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

Investments

Investments consist of certificates of deposit and are recorded at fair value. Certificates of deposit maturing within one year are shown as current.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$2,500 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	5 - 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.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 an employee's termination or retirement.

Unearned Revenues

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the licensing 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.

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 - This represents 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, 2019 were as follows:

Annual leave	\$ 56,000
Operating expenses	600,000
Replace fixed assets	66,315
Litigation	337,083
Technology	191,755
Total designated balances	<u><u>\$1,251,153</u></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.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms and include cash and money market accounts and funds invested in an Insured Cash Sweep ("ICS") account. Investments consist of certificates of deposit ("CDs") invested in a CD Ladder managed by a financial institution.

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, 2019, the bank balance in this account was \$1,396,704.

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, 2019, the Board's uninsured cash balances totaled \$235,236. Throughout the fiscal year, the Board's deposits exceeded the amounts insured by the FDIC and NCUA.

Interest Rate Risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board manages its exposure to declines in fair values by monitoring the maturities in its investment portfolio.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are currently limited to certificates of deposit.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at June 30, 2019, for the Board's investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturities</u>	<u>Ratings</u>
Certificates of deposit	<u>\$ 784,766</u>	25.4 Months	N/A

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Certificates of deposit reported as investments are also a component of the deposits with private financial institutions. A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, is as follows:

	<u>2019</u>	<u>2018</u>
Carrying amount of deposits with private financial institutions	\$1,779,540	\$1,707,523
Money market mutual funds	265,573	261,513
Investments in certificates of deposit	<u>784,766</u>	<u>751,453</u>
Total deposits and investments	<u><u>\$2,829,879</u></u>	<u><u>\$2,720,489</u></u>
Current:		
Cash	\$2,045,113	\$1,969,036
Short-term investments	199,524	201,880
Noncurrent:		
Investments	<u>585,242</u>	<u>549,573</u>
Total deposit and investments	<u><u>\$2,829,879</u></u>	<u><u>\$2,720,489</u></u>

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1: Observable inputs such as quoted prices in active markets; Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable; Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table sets forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2019:

	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 784,766</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 784,766</u></u>	<u><u>\$ -</u></u>

The following table sets forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2018:

	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 751,453</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 751,453</u></u>	<u><u>\$ -</u></u>

NORTH CAROLINA APPRAISAL BOARD**Notes to Financial Statements****NOTE 4 - CAPITAL ASSETS**

Capital assets consist of the following:

	Cost 6/30/2018	Acquisitions	Disposals	Cost 6/30/2019	Accumulated Depreciation	Net Amount
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	958,113	1,356,825
Furniture/ equipment/ software	243,933	26,500	4,456	265,977	234,492	31,485
	<u>\$ 2,998,871</u>	<u>\$ 26,500</u>	<u>\$ 4,456</u>	<u>\$ 3,020,915</u>	<u>\$ 1,192,605</u>	<u>\$ 1,828,310</u>

	Cost 6/30/2017	Acquisitions	Disposals	Cost 6/30/2018	Accumulated Depreciation	Net Amount
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	884,690	1,430,248
Furniture/ equipment/ software	243,933	-	-	243,933	235,767	8,166
	<u>\$ 2,998,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,998,871</u>	<u>\$ 1,120,457</u>	<u>\$ 1,878,414</u>

NOTE 5 - RETIREMENT PLAN

The Board has a simplified employee pension (SEP) plan covering all eligible employees with no waiting period. For the years ended June 30, 2019 and 2018, the Board contributed 10%, or \$54,543 and \$54,993, respectively, on behalf of its employees. Employee contributions for the years ended June 30, 2019 and 2018 totaled \$25,784 and \$34,283, respectively. The Board has authority over the SEP plan.

NOTE 6 - ACCRUED VACATION

Changes to accrued vacation are as follows:

Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
<u>\$ 49,366</u>	<u>\$ 42,385</u>	<u>\$ 36,653</u>	<u>\$ 55,098</u>
Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
<u>\$ 52,363</u>	<u>\$ 41,480</u>	<u>\$ 44,477</u>	<u>\$ 49,366</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 7 - LEASE COMMITMENTS

The Board has operating leases for two copiers and a postage machine. For the fiscal years ended June 30, 2019 and 2018, lease expense was \$7,064 and \$7,471, respectively. The following is a schedule of future minimum lease payments required under the leases:

<u>Years Ending June 30:</u>	
2020	\$ 6,410
2021	5,700
2022	2,212
2023	2,212
Total	<u>\$ 16,534</u>

NOTE 8 - 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 9 - COMMITMENTS

The Board entered into a twelve-month agreement for landscaping services beginning August 1, 2019, payable in monthly installments of \$624. Either party may discontinue the contract by giving thirty days written notice.

The Board entered into a preventative maintenance contract with a provider that will run through August 2020, payable in monthly installments of \$688. Either party may discontinue the contract by giving thirty days written notice prior to the anniversary date.

The Board entered into an agreement in March 2019 to upgrade the server and current database in order to allow for the processing of online renewals. As of June 30, 2019, a deposit of \$26,500 was made toward the total contract price of \$75,500. This deposit was capitalized and included in fixed assets in the accompanying statement of financial position.

NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 18, 2019, 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 \$8,900.