

**NORTH CAROLINA BOARD OF EXAMINERS  
FOR ENGINEERS AND SURVEYORS**

**FINANCIAL STATEMENTS**

**YEARS ENDED NOVEMBER 30, 2018 AND 2017**

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
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**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2018**

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The following is a discussion and analysis of the North Carolina Board of Examiners for Engineers and Surveyors' (the "Board") financial performance for the year ended November 30, 2018. 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 previous two years are presented in the analysis.

**Financial Highlights**

Overall operating revenues of the Board remained consistent in the current year, only increasing by \$209, or less than 1%. Increases in renewal fees were mostly offset by a decrease in application fees and the elimination of certification fees.

Overall operating expenses of the Board decreased by \$224,746 or approximately 8.92%, due primarily to decreases in legal fees, related to multiple cases resolved in the prior year, and fees incurred in negotiating the new facility lease agreement in the prior year.

Non-operating revenues of the Board decreased by \$65,825, or 92.75%, due primarily to an increase in unrealized investment losses in the current year.

**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 of the Board report information about the Board using accounting methods similar to those used by private sector companies. 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 assets 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.

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2018**

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**Basic Financial Statements (Continued)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current assets	\$ 1,216,018	\$ 1,294,091	\$ 1,451,913
Capital assets - net of depreciation	153,472	157,707	119,036
Noncurrent assets	<u>1,252,319</u>	<u>902,450</u>	<u>703,286</u>
Total assets	<u>2,621,809</u>	<u>2,354,248</u>	<u>2,274,235</u>
Current liabilities	191,346	162,505	157,975
Noncurrent liabilities	<u>113,507</u>	<u>114,400</u>	<u>119,400</u>
Total liabilities	<u>304,853</u>	<u>276,905</u>	<u>277,375</u>
Net position:			
Net investment in capital assets	153,472	157,707	119,036
Unrestricted	<u>2,163,484</u>	<u>1,919,636</u>	<u>1,877,824</u>
Total net position	<u>\$ 2,316,956</u>	<u>\$ 2,077,343</u>	<u>\$ 1,996,860</u>
Operating revenues	\$ 2,529,366	\$ 2,529,157	\$ 2,556,785
Operating expenses	<u>2,294,897</u>	<u>2,519,643</u>	<u>2,323,120</u>
Operating income	234,469	9,514	233,665
Non-operating revenues	<u>5,144</u>	<u>70,969</u>	<u>21,604</u>
Changes in net position	<u>\$ 239,613</u>	<u>\$ 80,483</u>	<u>\$ 255,269</u>

A comparison of budget to actual operations is presented on page 18. Actual operating revenues exceeded budgeted expectations by \$114,616, or 4.7%, due primarily to licensing fee revenue exceeding budget by \$67,125, or 2.8%.

Expenses incurred exceeded budgeted projections by \$86,197, or 3.9%, due primarily to legal fees incurred of \$66,129 exceeding the budgeted amount of \$20,000.

The Board has designated a portion of unrestricted net assets to cover potential future activities, consisting of \$250,000 for litigation and \$100,000 for future projects.

**Events Affecting Future Operations**

There are no known events affecting future operations.

**Contacting the Board's Financial 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 funds it receives and expends. If you have questions or require additional information, please contact the North Carolina Board of Examiners for Engineers and Surveyors, 4601 Six Forks Road, Suite 310, Raleigh, NC 27609.



## **Independent Auditor's Report**

Members of the Board  
North Carolina Board of Examiners for Engineers and Surveyors  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), which comprise the statements of net position as of November 30, 2018 and 2017, 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 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 audit to obtain reasonable assurance about whether the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 Board of Examiners for Engineers and Surveyors as of November 30, 2018 and 2017, 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, these financial statements are presented only for the North Carolina Board of Examiners for Engineers and Surveyors and do not purport to and do not present fairly the financial position of the State of North Carolina as of November 30, 2018 and 2017, nor 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.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Revenues, Expenses, and Changes in Net Position - Actual and Budget ("supplementary information") on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management. Such information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
March 26, 2019

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Net Position**  
**November 30, 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,047,992	\$ 1,037,068
Investments	130,000	230,000
Prepaid expenses	18,706	6,043
Prepaid rent	14,903	14,047
Other assets	4,417	6,933
Total current assets	<u>1,216,018</u>	<u>1,294,091</u>
Capital assets, net:		
Property and equipment	449,961	501,238
Leasehold improvements	83,367	83,367
Less accumulated depreciation	(379,856)	(426,898)
Total capital assets, net	<u>153,472</u>	<u>157,707</u>
Noncurrent assets:		
Investments	<u>1,252,319</u>	<u>902,450</u>
Total assets	<u>2,621,809</u>	<u>2,354,248</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	5,866	-
Unearned revenue	145,750	143,475
Deferred lease liability	39,730	19,030
Total current liabilities	<u>191,346</u>	<u>162,505</u>
Noncurrent liability:		
Compensated absences	<u>113,507</u>	<u>114,400</u>
Total liabilities	<u>304,853</u>	<u>276,905</u>
<b>NET POSITION:</b>		
Net investment in capital assets	153,472	157,707
Unrestricted	<u>2,163,484</u>	<u>1,919,636</u>
Total net position	<u>\$ 2,316,956</u>	<u>\$ 2,077,343</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended November 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Operating revenues:		
Renewal fees	\$ 2,411,075	\$ 2,349,405
Application fees	69,700	118,950
Exam fees	17,325	14,950
Certification fees	100	21,100
Civil penalties collected	30,000	23,000
Miscellaneous	1,166	1,752
Total operating revenues	<u>2,529,366</u>	<u>2,529,157</u>
Operating expenses:		
Salaries and wages	1,188,502	1,165,153
Payroll taxes	84,371	83,740
Retirement contributions and administration	72,218	72,143
Hospital and disability insurance	218,695	229,236
Staff development and training	13,601	3,653
Insurance and bonding	8,759	2,799
Office rent	196,889	195,854
Telephone	11,289	17,176
Office supplies	37,401	54,077
Depreciation	13,049	28,577
Printing	19,875	14,234
Postage	27,638	25,582
Credit and bankcard fees	67,043	64,984
Travel-board members	61,734	63,534
Travel and other-staff	31,829	34,793
Board members per diem	29,750	28,192
Certificate ceremonies	-	14,579
Contracted services	70,129	121,003
Legal, accounting, and audit fees	75,999	222,740
Computer services	7,001	6,431
Equipment, rental, and maintenance	7,493	27,487
Civil penalties remitted	30,000	23,000
Miscellaneous	12,317	11,255
Dues and subscriptions	9,315	9,421
Total operating expenses	<u>2,294,897</u>	<u>2,519,643</u>
Operating income	<u>234,469</u>	<u>9,514</u>
Non-operating revenues (expenses):		
Investment income	25,868	21,741
Realized and unrealized gains (losses) on investments	(20,724)	49,228
Total non-operating revenues	<u>5,144</u>	<u>70,969</u>
Changes in net position	239,613	80,483
Net position - beginning of year	<u>2,077,343</u>	<u>1,996,860</u>
Net position - end of year	<u>\$ 2,316,956</u>	<u>\$ 2,077,343</u>



**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS****Statements of Cash Flows****Years Ended November 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Cash received from fees	<b>\$ 2,500,475</b>	\$ 2,508,930
Other cash received	<b>31,166</b>	24,752
Cash payments to employees for services	<b>(1,189,395)</b>	(1,178,753)
Cash payments to suppliers of goods and services	<b>(931,554)</b>	(1,162,814)
Cash payments for other operating expenses	<b>(146,229)</b>	(139,593)
Net cash provided by operating activities	<b>264,463</b>	52,522
Cash flows from investing activities:		
Net investment income	<b>5,975</b>	3,560
Purchase of investments	<b>(400,835)</b>	(601,355)
Proceeds from sales of investments	<b>150,135</b>	351,355
Net cash used in investing activities	<b>(244,725)</b>	(246,440)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<b>(8,814)</b>	(67,248)
Net cash used in capital and related financing activities	<b>(8,814)</b>	(67,248)
Net increase (decrease) in cash	<b>10,924</b>	(261,166)
Cash - beginning of year	<b>1,037,068</b>	1,298,234
Cash - end of year	<b>\$ 1,047,992</b>	\$ 1,037,068
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<b>\$ 234,469</b>	\$ 9,514
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	<b>13,049</b>	28,577
Changes in assets and liabilities:		
Prepaid expenses	<b>(12,663)</b>	10,033
Prepaid rent	<b>(856)</b>	3,013
Other assets	<b>2,516</b>	1,855
Accounts payable	<b>5,866</b>	(10,425)
Compensated absences	<b>(893)</b>	(13,600)
Unearned revenue	<b>2,275</b>	4,525
Deferred lease liability	<b>20,700</b>	19,030
Total adjustments	<b>29,994</b>	43,008
Net cash provided by operating activities	<b>\$ 264,463</b>	\$ 52,522

# **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

## **Notes to Financial Statements**

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### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Description of Organization**

The North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89C of the North Carolina General Statutes (NCGS). The Board is composed of nine members: four licensed professional engineers, three licensed professional land surveyors and two public members who are neither professional engineers nor professional land surveyors. All members are appointed by the Governor.

The Board's primary responsibilities are to grant certificates of qualification as professional engineers and professional land surveyors to qualified persons, to register certified firms, to administer land surveyor examinations, and to enforce all statutes and rules of Chapter 89C and 21 NCAC Chapter 56.

The Board's operations are financed with self-generated revenues from fees charged to licensees and examinees.

#### **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 (U.S. 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.

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

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. GAAP as prescribed by 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.

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 recognized when a liability has been incurred, regardless of the timing of the cash flows.

The Board classifies its revenues 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 and examination fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital 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 investing type activities.

**Cash and Cash Equivalents**

Cash 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 an original maturity of three months or less when purchased to be cash equivalents. Cash balances held temporarily in the investment portfolio until reinvested are not included in cash and cash equivalents.

**Investments**

Investments consist of equities, mutual funds, corporate bonds, negotiable certificates of deposit and money market sweep accounts held in brokerage accounts. Money market sweep accounts, and corporate bonds and certificates of deposit maturing within the next fiscal year are shown as current. Investments are reported at fair value. Fair values are based on readily available market quotes. The negotiable certificates of deposit are also reported at fair value, which is cost plus accrued interest to date.

**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 two years. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	10 years
Property and equipment	5-10 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 BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Board employees may accumulate up to thirty days earned vacation (except for the Board's Executive Director, who may accumulate up to sixty days) and such leave is fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been recognized.

**Net Position**

The Board's net position is classified as follows:

*Net investment in capital assets* - This represents the Board's total investment in capital assets, net of accumulated depreciation.

*Unrestricted net assets* - 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.

**Budgetary Practices**

Budgets for fiscal years ended November 30, 2018 and 2017, were adopted by the Board. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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 and assumptions, resulting in adjustments in future periods.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Investments are comprised of the following at November 30:

	<b>2018</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
Corporate bonds	<b>\$ 134,154</b>	<b>\$ 130,596</b>	<b>\$ (3,558)</b>
Negotiable certificates of deposit	<b>761,000</b>	<b>749,233</b>	<b>(11,767)</b>
Equities	<b>289,491</b>	<b>326,303</b>	<b>36,812</b>
Mutual funds	<b>171,418</b>	<b>170,889</b>	<b>(529)</b>
Money market sweep accounts	<b>5,298</b>	<b>5,298</b>	<b>-</b>
	<b><u>\$ 1,361,361</u></b>	<b><u>\$ 1,382,319</u></b>	<b><u>\$ 20,958</u></b>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

	2017		
	Cost	Fair Value	Unrealized Gain
Corporate bonds	\$ 134,154	\$ 135,633	\$ 1,479
Negotiable certificates of deposit	589,000	589,095	95
Equities	191,761	226,469	34,708
Mutual funds	112,917	125,934	13,017
Money market sweep accounts	55,319	55,319	-
	<u>\$ 1,083,151</u>	<u>\$ 1,132,450</u>	<u>\$ 49,299</u>

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability.

A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Board's assets at fair value as of November 30:

	2018			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 130,596	\$ -	\$ -	\$ 130,596
Negotiable certificates of deposit	-	749,233	-	749,233
Equities	326,303	-	-	326,303
Mutual funds	170,889	-	-	170,889
	<u>\$ 627,788</u>	<u>\$ 749,233</u>	<u>\$ -</u>	<u>\$ 1,377,021</u>

	2017			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 135,633	\$ -	\$ -	\$ 135,633
Negotiable certificates of deposit	-	589,095	-	589,095
Equities	226,469	-	-	226,469
Mutual funds	125,934	-	-	125,934
	<u>\$ 488,036</u>	<u>\$ 589,095</u>	<u>\$ -</u>	<u>\$ 1,077,131</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The investment balances on the statements of net position include cash balances held temporarily in the investment portfolio until reinvestment, and therefore not included in the fair value hierarchy above in the amount of \$5,298 and \$55,319 at November 30, 2018 and 2017, respectively.

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 investments or collateral securities that are in the possession of an outside party.

The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. At November 30, 2018, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$882,319.

The Board had multiple certificates of deposit investments totaling \$749,233, all of which were individually insured under the Federal Depository Insurance Corporation (FDIC) limit of \$250,000. The Board also has cash deposits that are insured under FDIC. At November 30, 2018, the Board had \$852,527 of deposits in excess of the FDIC limit.

*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 minimizes interest rate risk by structuring the investment portfolio so securities mature using a ladder approach in order to avoid the need to sell securities prior to maturity.

As of November 30, 2018, the weighted average maturity of the Board's corporate bonds and certificates of deposit were 4.5 years and 2.3 years, respectively. The maturities of the Board's fixed income securities as of November 30, 2018, were as follows:

	Investment Amount
0 - 5 years	\$ 832,034
6 - 10 years	47,795
	<u>\$ 879,829</u>

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board minimizes credit risk by limiting investments to the following types:

- Obligations of the United States or obligations fully guaranteed both as to principle and interest by the United States
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, Government National Mortgage Association, The Federal Housing Administration, and the Farmers Home Administration

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

- Certificates of deposit and other time deposits of financial institutions
- Obligations of the State of North Carolina
- Investment grade bonds with a rating of "A" or above by a nationally recognized rating agency
- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks
- Repurchase agreements with respect to securities issued or guaranteed by the US government or its agencies or other securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank
- Asset backed securities provided they bear the highest rating of at least one nationally recognized service and do not have a rating below the highest rating by any nationally recognized rating service which rates the particular securities
- Equity market

At November 30, 2018, the Board's money market funds and certificates of deposit were unrated, and the Board's bond portfolio had the following credit ratings as rated by Moody's Investor Service:

<u>Credit Rating</u>	
A1	\$ 58,612
A2	\$ 24,188
A3	\$ 47,795

**NOTE 3 - NET POSITION**

The Board has reserved a portion of the unrestricted net assets to cover future activities, including \$250,000 for litigation and \$100,000 for future projects.

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS****Notes to Financial Statements****NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the Board for the years ended November 30, 2018 and 2017 are as follows:

	Cost 11/30/2017	Additions	Disposals	Cost 11/30/2018
Capital assets:				
Leasehold improvements	\$ 83,367	\$ -	\$ -	\$ 83,367
Property and equipment	501,238	8,814	60,091	449,961
	<u>584,605</u>	<u>8,814</u>	<u>60,091</u>	<u>533,328</u>
Less accumulated depreciation for:				
Leasehold improvements	46,075	8,337	-	54,412
Property and equipment	380,823	4,712	60,091	325,444
Total accumulated depreciation	<u>426,898</u>	<u>13,049</u>	<u>60,091</u>	<u>379,856</u>
Total capital assets, net	<u>\$ 157,707</u>	<u>\$ (4,235)</u>	<u>\$ -</u>	<u>\$ 153,472</u>
	Cost 11/30/2016	Additions	Disposals	Cost 11/30/2017
Capital assets:				
Leasehold improvements	\$ 106,360	\$ -	\$ 22,993	\$ 83,367
Property and equipment	506,153	67,248	72,163	501,238
	<u>612,513</u>	<u>67,248</u>	<u>95,156</u>	<u>584,605</u>
Less accumulated depreciation for:				
Leasehold improvements	60,731	8,337	22,993	46,075
Property and equipment	432,746	20,240	72,163	380,823
Total accumulated depreciation	<u>493,477</u>	<u>28,577</u>	<u>95,156</u>	<u>426,898</u>
Total capital assets, net	<u>\$ 119,036</u>	<u>\$ 38,671</u>	<u>\$ -</u>	<u>\$ 157,707</u>

**NOTE 5 - COMPENSATED ABSENCES**

Changes to accrued compensated absences are as follows:

	2018	2017
Beginning balance	\$ 114,400	\$ 128,000
Increases	93,099	88,375
Decreases	(93,992)	(101,975)
Ending balance	<u>\$ 113,507</u>	<u>\$ 114,400</u>



# **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

## **Notes to Financial Statements**

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### **NOTE 6 - UNEARNED REVENUE**

The Board's fees for Professional Engineers (PE) and Land Surveyors (LS) are assessed and collected on a fiscal year basis, corresponding with the Board's accounting period. These license renewal fees are collected beginning December 1st for the fiscal year and therefore there is no unearned revenue related to PE and LS renewals at year end. The Board's Firm renewal fees run from June 1 through May 31 resulting in unearned revenue at November 30, 2018 and 2017 of \$145,750 and \$143,475, respectively.

### **NOTE 7 - OPERATING LEASES**

The Board entered into a lease for new office space effective March 1, 2017 through December 31, 2026. The lease calls for escalating rent payments beginning at \$14,047 per month for six months and increasing approximately 3% a year thereafter. For the fiscal years ended November 30, 2018 and 2017, total rent expense was \$196,889 and \$195,854, respectively.

Future minimum lease payments are as follows:

<u>Years Ending November 30:</u>	
2019	\$ 180,172
2020	185,578
2021	191,145
2022	196,879
2023	202,786
Thereafter	<u>664,472</u>
	<u><u>\$ 1,621,032</u></u>

### **NOTE 8 - RETIREMENT PLANS**

The Board participates in the North Carolina Licensing Boards' Retirement Savings Plan (Plan) which is a multiple employer, cost-sharing defined contribution plan. Participating employees are required to contribute 6% of their gross pay and the Board matches those contributions 100%. Employees may also make voluntary contributions to the Plan over their 6% contribution. Employees are eligible to participate in the Plan immediately upon employment. Employees' contributions are immediately vested and the Board's contributions are 100% vested after five years of credited service. The 401(k) Plan is administered by Prudential Insurance Company of America. The Board's contributions for the years ended November 30, 2018 and 2017 totaled \$71,366 and \$70,725, respectively. Employee contributions for the years ended November 30, 2018 and 2017 totaled \$115,841 and \$120,150, respectively. No forfeitures were utilized to reduce employer contributions during the years ended November 30, 2018 and 2017.

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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**NOTE 9 - 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. 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 with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, data breach, workers compensation and employers' liability, and vehicle.

**NOTE 10 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through March 26, 2019, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 80 hours at a cost of \$11,000.

## **SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**
**Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget**
**Years Ended November 30, 2018 and 2017**

	2018			2017		
	(Unaudited) Budget	Actual	Over (Under) Budget	(Unaudited) Budget	Actual	Over (Under) Budget
Revenues:						
Examination fees	\$ -	\$ 17,325	\$ 17,325	\$ -	\$ 14,950	\$ 14,950
Licensing fees	2,413,750	2,480,875	67,125	2,460,950	2,489,455	28,505
Other	1,000	1,166	166	1,000	1,752	752
Civil penalties collected	-	30,000	30,000	-	23,000	23,000
Total revenues	<u>2,414,750</u>	<u>2,529,366</u>	<u>114,616</u>	<u>2,461,950</u>	<u>2,529,157</u>	<u>67,207</u>
Expenses:						
Personnel	1,604,900	1,577,387	(27,513)	1,559,900	1,552,376	(7,524)
Office and board	573,800	598,462	24,662	823,800	692,950	(130,850)
Legal, accounting, and audit	30,000	75,999	45,999	30,000	222,740	192,740
Depreciation	-	13,049	13,049	-	28,577	28,577
Civil penalties remitted	-	30,000	30,000	-	23,000	23,000
Total expenses	<u>2,208,700</u>	<u>2,294,897</u>	<u>86,197</u>	<u>2,413,700</u>	<u>2,519,643</u>	<u>105,943</u>
Operating income	<u>206,050</u>	<u>234,469</u>	<u>28,419</u>	<u>48,250</u>	<u>9,514</u>	<u>(38,736)</u>
Total non-operating revenues	<u>10,000</u>	<u>5,144</u>	<u>(4,856)</u>	<u>2,000</u>	<u>70,969</u>	<u>68,969</u>
Changes in net position	<u>216,050</u>	<u>239,613</u>	<u>23,563</u>	<u>50,250</u>	<u>80,483</u>	<u>30,233</u>
Net position - beginning of year	<u>2,077,343</u>	<u>2,077,343</u>	<u>-</u>	<u>1,996,860</u>	<u>1,996,860</u>	<u>-</u>
Net position - end of year	<u><u>\$ 2,293,393</u></u>	<u><u>\$ 2,316,956</u></u>	<u><u>\$ 23,563</u></u>	<u><u>\$ 2,047,110</u></u>	<u><u>\$ 2,077,343</u></u>	<u><u>\$ 30,233</u></u>