

***North Carolina State Board of
Environmental Health Specialist Examiners***

*Financial Statements
For the Years Ended
December 31, 2015 and 2014*

***NORTH CAROLINA STATE BOARD OF
ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS***

***Financial Statements for the
Years Ended December 31, 2015 and 2014***

BOARD MEMBERS

Jessica Silver, REHS, Chair

Larry Michael, REHS, Vice Chair

Ernie Nichols, REHS, Secretary – Treasurer

Ann Absher

Melanie Campen, REHS

Brian Byrd, Ph.D, MSPH

Patricia Hawkins, REHS

Carl Kivett, REHS

Seth Swift, REHS

Gregory Bright, REHS

Daniel Ortiz, REHS

Phillip Thompson, REHS

ADMINISTRATIVE OFFICER

Donna Coffey, Administrative Assistant to the Board

LEGAL COUNSEL

North Carolina Attorney General's Office

**NORTH CAROLINA STATE BOARD OF
ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS**

TABLE OF CONTENTS

	<u>Page No.</u>
Management’s Discussion and Analysis	1
Independent Auditors’ Report	3
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to the Financial Statements	8

**NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015**

The following is a discussion and analysis of the financial performance of the Board for the year ended December 31, 2015. This information should be read in conjunction with the audited financial statements which follows this section.

Financial Highlights

- The Board's net position was \$65,502 at December 31, 2015, an increase of \$10,293 over the \$55,209 reported at December 31, 2014. The increase was due to the Board's operating revenues exceeding its operating expenses for the year.
- During 2015, the operating revenues of the Board increased \$3,665, or 6.3%, when compared to 2014.
- During 2015, the operating expenses of the Board increased 9,484, or 22.2%, when compared to 2014.

Overview of the Financial Statements

This financial report consists of two sections:

- *Management's Discussion and Analysis (required supplementary information)*
- *Financial Statements*

The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The financial statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic Financial Statements

The 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 long-term portions of assets and liabilities separately.

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

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

**NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015**

Basic Financial Statements - continued

The following presents condensed financial information on the operations of the Board:

	As of and for the year ended December 31, 2015	As of and for the year ended December 31, 2014
Current assets	\$ 100,613	\$ 86,668
Total assets	100,613	86,668
Current liabilities	35,111	31,459
Total liabilities	35,111	31,459
Unrestricted net assets	65,502	55,209
Total net assets	\$ 65,502	\$ 55,209
Operating revenues	\$ 61,660	\$ 57,995
Operating expenses	52,184	42,700
Operating income	9,476	15,295
Non-operating revenues	817	662
Change in net position	\$ 10,293	\$ 15,957

Contacting the Board's Management

This financial report is intended 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 State Board of Environmental Health Specialist Examiners
Post Office Box 238
Efland, NC 27243



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Members of the Board
North Carolina State Board of Environmental Health Specialist Examiners
Efland, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Board of Environmental Health Specialist Examiners (the "Board") which comprise the statements of net position as of December 31, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditors' 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Environmental Health Specialist Examiners as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles general 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 and 2 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 audits 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.

Anderson Smith & Wike PLLC

April 29, 2016
Rockingham, North Carolina
(910)-997-1418

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash in bank	\$ 87,304	\$ 73,436
Cash in Short Term Investment Fund (STIF)	<u>13,309</u>	<u>13,232</u>
Total current assets	<u>100,613</u>	<u>86,668</u>
LIABILITIES		
Current liabilities:		
Deferred revenue	33,260	29,900
Accrued wages and related expenses	<u>1,851</u>	<u>1,559</u>
Total current liabilities	<u>35,111</u>	<u>31,459</u>
NET POSITION		
Unrestricted	<u>65,502</u>	<u>55,209</u>
Total net position	<u>\$ 65,502</u>	<u>\$ 55,209</u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Certificate renewal fees	\$ 48,875	\$ 49,115
Late renewal fees	1,845	1,675
Application fees	2,950	2,550
Examination fees	7,990	4,655
Total operating revenues	<u>61,660</u>	<u>57,995</u>
OPERATING EXPENSES		
Administrative salary (including payroll taxes)	29,953	25,602
Board members - travel and per diem	7,613	6,578
Administrative travel	722	1,008
Telephone	823	789
Exam	5,290	3,105
Office supplies	1,782	564
Computer support and database development	918	600
Postage	150	115
Insurance	500	500
Professional fees	3,400	3,300
Miscellaneous	1,033	539
Total operating expenses	<u>52,184</u>	<u>42,700</u>
Operating income	<u>9,476</u>	<u>15,295</u>
NON-OPERATING REVENUES		
Interest Income	<u>817</u>	<u>662</u>
Change in net position	10,293	15,957
Total net position - beginning	<u>55,209</u>	<u>39,252</u>
Total net position - ending	<u>\$ 65,502</u>	<u>\$ 55,209</u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees	\$ 65,020	\$ 52,895
Cash payments for operating expenses	(22,231)	(17,098)
Cash payments to employees for services	(29,661)	(25,667)
Net cash provided by operating activities	<u>13,128</u>	<u>10,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>817</u>	<u>662</u>
Net increase in cash and cash equivalents	13,945	10,792
Cash and cash equivalents - beginning of the year	<u>86,668</u>	<u>75,876</u>
Cash and cash equivalents - end of the year	<u><u>\$ 100,613</u></u>	<u><u>\$ 86,668</u></u>
Reconciliation of operating income to net cash used by operating activities		
Operating income	<u>\$ 9,476</u>	<u>\$ 15,295</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase (decrease) in deferred revenue	3,360	(5,100)
Increase (decrease) in accrued wages and related expenses	<u>292</u>	<u>(65)</u>
Total adjustments	<u>3,652</u>	<u>(5,165)</u>
Net cash provided by operating activities	<u><u>\$ 13,128</u></u>	<u><u>\$ 10,130</u></u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization and Reporting Entity

The North Carolina State Board of Environmental Health Specialist Examiners (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 90A of the North Carolina General Statutes. The Board is composed of 12 members who are appointed by the Governor of the State of North Carolina.

The Board is established to maintain minimum standards for services provided by environmental health specialists. The Board's operations are financed with self-generated revenues from fees charged to licensees.

Governmental Accounting Standards Board (GASB) Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor appoints the Board members and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the Board.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. 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.

Measurement Focus and Basis of Accounting

In accordance with current GASB statements, the Board presents Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses and Changes in Net Position demonstrate the degree to which direct expenses of the Board are offset by license and examination fees.

The financial statements report all activities of the Board using the current financial resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

Measurement Focus and Basis of Accounting (continued)

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license and examination fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing activities and are classified as non-operating in the financial statements.

Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

Capital Assets

The Board's capital assets are recorded at original cost. 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 earnings for the period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment and furniture	3 - 5

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balances</u>
Equipment and furniture	\$ 4,208	\$ -	\$ -	\$ 4,208
Accumulated depreciation	4,208	-	-	4,208
Net fixed assets	<u>\$ -</u>			<u>\$ -</u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Equipment and furniture	\$ 4,208	\$ -	\$ -	\$ 4,208
Accumulated depreciation	4,208	-	-	4,208
Net fixed assets	<u>\$ -</u>			<u>\$ -</u>

Deferred Revenue

The Board's fees are assessed and collected on a calendar year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one calendar year. License renewal fees received in the latter part of the year are deferred and recognized as revenue over the one year period in which they relate.

Net Position

Invested in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation. The Board had no net position invested in capital assets as of December 31, 2015 or 2014.

Restricted Net Position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position as of December 31, 2015 or 2014.

Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of restricted or invested in capital assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 2 – DEPOSITS

Deposits in Banks

All of the Board's deposits which are uninsured are uncollateralized by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for deposits.

At December 31, 2015, the Board's deposits had a carrying amount of \$88,014 (including undeposited funds) and a bank balance of \$87,304, which was insured by the National Credit Union Administration. At December 31, 2014, the Board's deposits had a carrying amount of \$73,436 (including undeposited funds) and a bank balance of \$74,572, which was insured by the National Credit Union Administration.

Deposits in State Treasurer Short Term Investment Fund (STIF)

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily holds deposits with the North Carolina Short Term Investment Fund (STIF). Disbursements, if used, are through the issuance of warrants by the Board. Investments of the STIF are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government/agency securities. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.3 years at December 31, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. The STIF securities maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investment risks associated with State Treasurer's Investment Pool (which includes the STIF) are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of State Controller's internet home page, www.osc.nc.gov and clicking on "Proceed directly to OSC's index page", then "Reports", or calling the State Controller's Financial Reporting Section at 919-981-5454.

At December 31, 2015 and 2014, the Board had \$13,309 and \$13,232, respectively, invested with the State Treasurer in the Short Term Investment Fund (STIF). The Board has no policy for managing interest rate risk or credit risk.

NOTE 3 – RISK MANAGEMENT

The Board is exposed to various risk of loss related to torts, theft of assets, destruction of assets, errors and omissions, injuries to employees and natural disasters. These exposures to loss are handled by participation in certain state-administered risk programs and self-retention of certain risks. The Board has purchased limited commercial insurance coverage.

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

NOTE 4 – CONTINGENCIES

Disciplinary Hearings

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position or cash flows for the years then ended.

NOTE 5 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through April 29, 2016 (the issuance date of the financial statements) and has determined that there were no subsequent events to recognize or disclose in these financial statements.