

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

*Financial Statements
For the Years Ended
December 31, 2017 and 2016*

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

***Financial Statements for the
Years Ended December 31, 2017 and 2016***

BOARD MEMBERS

Phillip Thompson, REHS, Chair

Larry Michael, REHS, Vice Chair

Carl Kivett, REHS, Secretary – Treasurer

Ann Absher

Melanie Campen, REHS

Brian Byrd, Ph.D, MSPH

Patricia Hawkins, REHS

Seth Swift, REHS

Andrew Morgan, REHS

Daniel Ortiz, REHS

Jessica Silver, 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**

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**NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

The following is a discussion and analysis of the financial performance of the Board for the year ended December 31, 2017. This information should be read in conjunction with the audited financial statements which follows this section.

Financial Highlights

- The Board's net position was \$83,657 at December 31, 2017, an increase of \$8,366 over the \$75,291 reported at December 31, 2016. The increase was due to the Board's operating revenues exceeding its operating expenses for the year.
- During 2017, the operating revenues of the Board increased \$6,754, or 11.0%, when compared to 2016.
- During 2017, the operating expenses of the Board increased \$8,329, or 15.9%, when compared to 2016.

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, 2017**

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, 2017	As of and for the year ended December 31, 2016
Current assets	\$ 127,143	\$ 118,933
Capital assets	1,946	-
Total assets	<u>129,089</u>	<u>118,933</u>
Current liabilities	<u>45,432</u>	<u>43,642</u>
Total liabilities	<u>45,432</u>	<u>43,642</u>
Invested in capital assets	1,946	-
Unrestricted net position	<u>81,711</u>	<u>75,291</u>
Total net position	<u>\$ 83,657</u>	<u>\$ 75,291</u>
Operating revenues	\$ 68,049	\$ 61,295
Operating expenses	<u>60,767</u>	<u>52,438</u>
Operating income	7,282	8,857
Non-operating revenues	<u>1,084</u>	<u>932</u>
Change in net position	<u>\$ 8,366</u>	<u>\$ 9,789</u>

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, 2017 and 2016, 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.

Auditors' 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 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 auditors' 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 entity'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 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 State Board of Environmental Health Specialist Examiners as of December 31, 2017 and 2016, 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 12, 2018
Rockingham, North Carolina
(910)-997-1418*

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash in bank	\$ 113,568	\$ 105,510
Cash in Short Term Investment Fund (STIF)	<u>13,575</u>	<u>13,423</u>
Total current assets	<u>127,143</u>	<u>118,933</u>
Noncurrent assets:		
Capital assets, net	<u>1,946</u>	<u>-</u>
Total assets	<u>129,089</u>	<u>118,933</u>
LIABILITIES		
Current liabilities:		
Unearned revenue	43,110	41,803
Accrued wages and related expenses	<u>2,322</u>	<u>1,839</u>
Total current liabilities	<u>45,432</u>	<u>43,642</u>
NET POSITION		
Invested in capital assets	1,946	-
Unrestricted	<u>81,711</u>	<u>75,291</u>
Total net position	<u><u>\$ 83,657</u></u>	<u><u>\$ 75,291</u></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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Certificate renewal fees	\$ 48,604	\$ 48,360
Late renewal fees	2,875	2,075
Application fees	4,550	3,450
Examination fees	12,020	7,410
Total operating revenues	<u>68,049</u>	<u>61,295</u>
OPERATING EXPENSES		
Administrative salary (including payroll taxes)	32,849	30,905
Board members - travel and per diem	8,490	7,623
Administrative travel	1,636	1,034
Telephone	843	844
Exam	8,050	4,830
Office supplies	1,529	1,107
Computer support and database development	1,514	1,345
Deprecation	85	-
Postage	278	245
Insurance	500	500
Professional fees	3,500	3,500
Miscellaneous	1,493	505
Total operating expenses	<u>60,767</u>	<u>52,438</u>
Operating income	<u>7,282</u>	<u>8,857</u>
NON-OPERATING REVENUES		
Interest Income	<u>1,084</u>	<u>932</u>
Change in net position	8,366	9,789
Total net position - beginning	<u>75,291</u>	<u>65,502</u>
Total net position - ending	<u><u>\$ 83,657</u></u>	<u><u>\$ 75,291</u></u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees	\$ 69,356	\$ 69,838
Cash payments for operating expenses	(27,833)	(21,533)
Cash payments to employees for services	(32,366)	(30,917)
Net cash provided by operating activities	<u>9,157</u>	<u>17,388</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(2,031)</u>	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>1,084</u>	<u>932</u>
 Net increase in cash and cash equivalents	8,210	18,320
Cash and cash equivalents - beginning of the year	<u>118,933</u>	<u>100,613</u>
Cash and cash equivalents - end of the year	<u><u>\$ 127,143</u></u>	<u><u>\$ 118,933</u></u>
 Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 7,282	\$ 8,857
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	85	-
Changes in assets and liabilities:		
Increase in unearned revenue	1,307	8,543
Increase (decrease) in accrued wages and related expenses	<u>483</u>	<u>(12)</u>
Total adjustments	<u>1,875</u>	<u>8,531</u>
Net cash provided by operating activities	<u><u>\$ 9,157</u></u>	<u><u>\$ 17,388</u></u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

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.

Financial Reporting Entity

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

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

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

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.

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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

Measurement Focus and Basis of Accounting (continued)

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.

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, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balances</u>
Equipment and furniture	\$ 4,208	\$ 2,031	\$ (1,092)	\$ 5,147
Accumulated depreciation	4,208	85	(1,092)	3,201
Net fixed assets	<u>\$ -</u>			<u>\$ 1,946</u>

NORTH CAROLINA STATE BOARD OF ENVIRONMENTAL HEALTH SPECIALIST EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2016, 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>

Unearned 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.

Restricted – 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, 2017 or 2016.

Unrestricted – This represents assets with no external restriction as to use or purpose. Unrestricted net position can be used for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

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, 2017 and 2016

NOTE 2 – DEPOSITS

Deposits in Banks

At December 31, 2017, the Board's deposits had a carrying amount of \$113,568 (including undeposited funds) and a bank balance of \$112,441, which was insured by the National Credit Union Administration. At December 31, 2016, the Board's deposits had a carrying amount of \$105,510 (including undeposited funds) and a bank balance of \$106,864, which was insured by the National Credit Union Administration. 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.

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). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state law and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. 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.

The STIF is unrated and had a weighted average maturity of 1.6 years at December 31, 2017. At December 31, 2017 and 2016, the Board had \$13,575 and \$13,423, 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, 2017 and 2016

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 12, 2018 (the issuance date of the financial statements) and has determined that there were no subsequent events to recognize or disclose in these financial statements.