

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**

**Financial Statements for the  
Years Ended June 30, 2021 and 2020 and  
Independent Auditor's Report**

# **NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**

**Financial Statements for the  
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## **BOARD MEMBERS (2021)**

Steven A. Stadelman, Chairman

Rachel P. Kirkman, Vice-Chairman

Kenneth Belk Taylor, Secretary-Treasurer

Dennis J. LaPoint

Robert Mensah-Biney

Richard Spruill

## **EXECUTIVE OFFICER**

Barbara U. Geiger, Executive Director

## **LEGAL COUNSEL**

North Carolina Department of Justice

# **NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**

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# **NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2021 and 2020. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2021, the Board's net position increased by \$9,858, or 1.46%, due primarily to operating and non-operating revenues exceeding expenses. During 2020, the Board's net position increased by \$1,976, or .29%, due primarily to a decrease in expenses.

During 2021, the operating revenues of the Board increased by \$34,026, or 26.17%, due primarily to an increase in examination fees. During 2020, the operating revenues of the Board decreased by \$14,196, or 9.84%, due primarily to a decrease in examination fees.

During 2021, the non-operating revenues of the Board increased by \$9,738, or 73.39%, due primarily to a gain on the valuation of zero coupon certificates of deposit. During 2020, the non-operating revenues of the Board decreased by \$6,972, or 34.45%, due primarily to a loss on the valuation of zero coupon certificates of deposit.

During 2021, the operating expenses of the Board increased by \$35,882, or 25.39%, due primarily to an increase in exam expenses and website expenses. During 2020, the operating expenses of the Board decreased by \$37,163, or 20.82%, due primarily to a decrease in exam expenses, board members expense, and professional fees (audit fees for two years were incurred in the 2019 fiscal year).

### **Overview of the Financial Statements**

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the 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 BOARD FOR LICENSING OF GEOLOGISTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Condensed Financial Information**

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

	Current Year as of and for the year ended June 30, 2021	Prior Year as of and for the year ended June 30, 2020
Current assets	\$ 453,315	\$ 415,652
Capital assets	70	70
Other assets	281,523	375,954
Total assets	<u>\$ 734,908</u>	<u>\$ 791,676</u>
Current liabilities	\$ 51,872	\$ 118,498
Total liabilities	<u>\$ 51,872</u>	<u>\$ 118,498</u>
Investment in capital assets	\$ 70	\$ 70
Unrestricted	682,966	673,108
Total net position	<u>\$ 683,036</u>	<u>\$ 673,178</u>
Operating revenues	\$ 164,044	\$ 130,018
Operating expenses	(177,192)	(141,310)
Operating income	(13,148)	(11,292)
Non-operating revenues	23,006	13,268
Change in net position	<u>\$ 9,858</u>	<u>\$ 1,976</u>

# NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$683,036 for the year ended June 30, 2021. The largest component of net position was cash and investments. Cash and investments represented 106.62% of total net position. Current assets consist of cash and cash equivalents, and prepaid expense. Noncurrent assets consist of capital assets (net of accumulated depreciation) and long-term investments. Capital assets are not a significant component of assets and are denoted below in the comparative summary of the Statements of Net Position. Current liabilities consist of accounts payable due to vendors, accounts payable due to other state agencies, and unearned revenue from license fees paid in advance. The Board has no long-term liabilities. Net position consists of net assets invested in capital assets and unrestricted net assets. Net investment in capital assets is a component of net position and consists of capital assets net of depreciation. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2021	Prior Year as of June 30, 2020	Amount of Change	Percentage Change
Current assets	\$ 453,315	\$ 415,652	\$ 37,663	9.06%
Capital assets	70	70	0	0.00%
Other assets	281,523	375,954	(94,431)	-25.12%
Total assets	<u>\$ 734,908</u>	<u>\$ 791,676</u>	<u>\$ (56,768)</u>	<u>-7.17%</u>
Current liabilities	\$ (51,872)	\$ (118,498)	\$ 66,626	-56.23%
Total liabilities	<u>\$ (51,872)</u>	<u>\$ (118,498)</u>	<u>\$ 66,626</u>	<u>-56.23%</u>
Investment in capital assets	\$ 70	\$ 70	\$ 0	0.00%
Unrestricted	682,966	673,108	9,858	1.46%
Total net position	<u>\$ 683,036</u>	<u>\$ 673,178</u>	<u>\$ 9,858</u>	<u>1.46%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2021	The year ended June 30, 2020	Amount of Change	Percentage Change
Operating revenues	\$ 164,044	\$ 130,018	\$ 34,026	26.17%
Operating expenses	(177,192)	(141,310)	(35,882)	25.39%
Non-operating revenues	23,006	13,268	9,738	73.39%
Change in net position	<u>\$ 9,858</u>	<u>\$ 1,976</u>	<u>\$ 7,882</u>	<u>-398.89%</u>
Ending net position	<u>\$ 683,036</u>	<u>\$ 673,178</u>	<u>\$ 9,858</u>	<u>1.46%</u>

## **NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a breakdown of operating revenues by source. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	<u>The year ended June 30, 2021</u>	<u>The year ended June 30, 2020</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
License and renewal fees	\$ 107,185	\$ 99,530	\$ 7,655	7.69%
New application fees	6,995	8,375	(1,380)	-16.48%
Examination fees	44,735	16,155	28,580	176.91%
Late payment fees	2,800	4,450	(1,650)	-37.08%
Miscellaneous income	2,329	1,508	821	54.44%
Total	<u>\$ 164,044</u>	<u>\$ 130,018</u>	<u>\$ 34,026</u>	<u>26.17%</u>

The following is a breakdown of non-operating revenues by source. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	<u>The year ended June 30, 2021</u>	<u>The year ended June 30, 2020</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
Interest income	\$ 1,545	\$ 4,994	\$ (3,449)	-69.06%
Gain (loss) on CD's	21,461	8,274	13,187	159.38%
Total	<u>\$ 23,006</u>	<u>\$ 13,268</u>	<u>\$ 9,738</u>	<u>73.39%</u>

### **Events Affecting Future Operations**

The Board is not aware of any significant events that may affect future operations of the Board which are reportable pursuant to GASB reporting requirements.

### **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. If you have any questions about this report or need additional information, contact: North Carolina Board for Licensing of Geologists, 3733 Benson Drive, Raleigh, NC 27609.

***Hawley, C.P.A., P.A.***  
**Certified Public Accountant**

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Suite B1	Telephone: (919) 639-4825
800 N. Raleigh St.	Facsimile: (919) 639-3102
P.O. Box 1545	
Angier, North Carolina 27501-1545	

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Board for Licensing of Geologists  
Raleigh, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Board for Licensing of Geologists (the "Board"), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which comprise the Board's financial statements as listed in the table of contents.

***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.

***Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgement, 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***

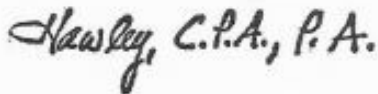
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board for Licensing of Geologists as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 historic 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 supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.

A handwritten signature in black ink that reads "Hawley, C.P.A., P.A." in a cursive script.

Hawley, C.P.A., P.A.

Angier, North Carolina

October 31, 2021

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
<b>ASSETS</b>		
Current assets:		
Cash in State Treasurer (Notes 1 and 2)	\$ 194,276	\$ 279,505
Cash and cash equivalents - other (Notes 1 and 2)	252,484	136,147
Prepaid expense (Note 1)	<u>6,555</u>	
Total current assets	453,315	415,652
Capital assets (Notes 1 and 4):		
Furniture and office equipment	<u>70</u>	<u>70</u>
Total capital assets - net of depreciation	<u>70</u>	<u>70</u>
Other assets:		
Investments (Notes 2 and 3)	281,523	375,953
Accrued interest receivable (on investments)	<u></u>	<u>1</u>
Total other assets	281,523	375,954
<b>TOTAL ASSETS</b>	<u><u>\$ 734,908</u></u>	<u><u>\$ 791,676</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable (Note 5)	\$ 4,745	\$ 3,273
Due to other state agencies (Note 5)	2,572	3,515
Unearned revenue (Note 1)	<u>44,555</u>	<u>111,710</u>
Total current liabilities	51,872	118,498
<b>TOTAL LIABILITIES</b>	<u><u>51,872</u></u>	<u><u>118,498</u></u>
<b>NET POSITION (NOTE 1)</b>		
Investment in capital assets	70	70
Unrestricted net position	<u>682,966</u>	<u>673,108</u>
<b>TOTAL NET POSITION</b>	<u><u>683,036</u></u>	<u><u>673,178</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 734,908</u></u>	<u><u>\$ 791,676</u></u>

See notes to financial statements.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
OPERATING REVENUES:		
Fees, licenses, and fines:		
License and renewal fees	\$ 107,185	\$ 99,530
New application fees and packets	6,995	8,375
Examination fees	44,735	16,155
Late payment fees	2,800	4,450
Miscellaneous operating income	<u>2,329</u>	<u>1,508</u>
Total operating revenues	\$ 164,044	\$ 130,018
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses (including lodging, meals, and transportation)	\$ 2,555	\$ 8,567
Supplies and materials:		
Office supplies	1,821	2,905
Stamps	2,547	1,386
Services:		
Contractual management services (Note 6)	75,000	67,500
Management service staff expenses	184	404
Website expenses	12,109	5,186
Legal (including related costs), accounting and audit fees	19,433	17,679
Peer review expenses (Note 7)	5,697	2,112
Printing and copying (including newsletter)	3,052	4,508
Postage and freight	2,300	3,917
Telephone	1,080	1,135
Exam expenses	41,838	15,080
Public relations expenses - law awareness		
Insurance	2,102	2,059

See notes to financial statements.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
OPERATING EXPENSES (CONTINUED):		
Other expenses:		
Dues	4,500	4,500
Credit card discount fees	1,160	2,752
Miscellaneous expenses	<u>1,814</u>	<u>1,620</u>
Total operating expenses	<u>\$ 177,192</u>	<u>\$ 141,310</u>
Operating income (loss)	\$ (13,148)	\$ (11,292)
NON-OPERATING REVENUES (EXPENSES):		
Interest income (including unrealized gain/loss on certificates of deposit in the secondary market) (Note 1)	<u>23,006</u>	<u>13,268</u>
Total non-operating revenues	\$ 23,006	\$ 13,268
Change in net position	<u>\$ 9,858</u>	<u>\$ 1,976</u>
Net position - beginning of year	<u>673,178</u>	<u>671,202</u>
Net position - end of year	<u><u>\$ 683,036</u></u>	<u><u>\$ 673,178</u></u>

See notes to financial statements.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Cash flows from operating activities:		
Cash received from fees and other operating income	\$ 96,889	\$ 157,333
Cash payments for operating expenses	(183,218)	(142,567)
Net cash provided (used) by operating activities	\$ (86,329)	\$ 14,766
Cash flows from investing activities:		
Interest earnings	\$ 23,007	\$ 13,268
Transfers from (to) investments	94,430	(8,704)
Net cash provided (used) by investing activities	\$ 117,437	\$ 4,564
Net increase in cash	\$ 31,108	\$ 19,330
Cash - beginning of year	415,652	396,322
Cash - end of year	\$ 446,760	\$ 415,652
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	\$ (13,148)	\$ (11,292)
Adjustments to reconcile operating income (loss)		
to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Prepaid expense	\$ (6,555)	\$
Accounts payable	529	(1,257)
Unearned revenue	(67,155)	27,315
Total adjustments	\$ (73,181)	\$ 26,058
Net cash provided (used) by operating activities	\$ (86,329)	\$ 14,766

See notes to financial statements.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization and Purpose**

The North Carolina Board for Licensing of Geologists (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 89E of the North Carolina General Statutes. The Board is composed of six members who are appointed by the Governor of the State of North Carolina. 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).

The Board is established to maintain minimum standards for services provided by geologists.

The Board's operations are financed with self-generated revenues from fees charged to examinees and 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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

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.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Basis of Accounting**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. 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 fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred 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 consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

**Cash in State Treasurer**

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure they are considered a cash equivalent.

**Cash and Cash Equivalents**

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

**Prepaid Expenses**

This classification includes expenses which were prepaid at year end. There was \$6,555 in prepaid management software at June 30, 2021. There was no prepaid expense for the fiscal year ended June 30, 2020.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Investments**

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income. The Board held negotiable and non-negotiable certificates of deposit at June 30, 2021 and June 30, 2020.

**Capital Assets**

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years.

**Unearned Revenue**

The Board's fees are assessed and collected on an annual basis for the period July 1 through June 30, which corresponds with the Board's accounting period. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

**Net Position**

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

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 at year end.

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



**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Note 2 - Deposits and Investments

**Cash in State Treasurer Short Term Investment Fund (STIF)**

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily deposits to the North Carolina Short Term Investment Fund (STIF). Disbursements are through the issuance of warrants by the Board. Investments of the Short Term Investment Fund are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government agency securities. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investments risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) 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 the State Controller's internet home page, [www.ncosc.net](http://www.ncosc.net), and clicking on "Financial Reports", or calling the OSC's Financial Reporting Section at 919-707-0500.

At June 30, 2021, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$194,276 (including undeposited receipts), and a bank balance of \$160,843. At June 30, 2020, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$279,505 (including undeposited receipts), and a bank balance of \$259,530 (including \$815 in uncertified deposits).

**Deposits in Financial Institution(s)**

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] 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 formal written policies regarding custodial credit risk for deposits.

At June 30, 2021, the Board's deposits had a carrying amount of \$534,007 and a bank balance of \$534,007. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$284,007 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. At June 30, 2020, the Board's deposits had a carrying amount of \$512,100 and a bank balance of \$512,100. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$262,100 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit are considered time deposits for this disclosure and are classified as investments on the Statements of Net Position. The Board had certificates of deposit in the amount of \$281,523 at June 30, 2021, and \$375,953 at June 30, 2020.

**NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

Note 2 - Deposits and Investments (Continued)

**Investments**

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits (negotiable and non-negotiable) with maturities of no more than approximately 60 months, and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and to money market mutual funds.

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at June 30, 2021, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificates of Deposit	\$ 281,523	15.5 Months	N/A

**Reconciliation of Deposits and Investments**

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, 2021 and 2020, is as follows:

	June 30, 2021	June 30, 2020
Carrying Amount of Cash in State Treasurer	\$ 194,276	\$ 279,505
Carrying Amount of Bank Deposits	252,484	136,147
Certificates of Deposits	281,523	375,953
Total Deposits and Investments	<u>\$ 728,283</u>	<u>\$ 791,605</u>
Current:		
Cash in State Treasurer	\$ 194,276	\$ 279,505
Cash and Cash Equivalents - Other	252,484	136,147
Noncurrent:		
Investments	281,523	375,953
Total Deposits and Investments	<u>\$ 728,283</u>	<u>\$ 791,605</u>

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Note 3 - Fair Value Measurements

Fair value, as defined under GASB 72, Fair Value Measurement and Application, is an exit price representing the price that would be received to sell 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 tables set forth by level, within the fair value hierarchy, the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2021. The Board's investments in negotiable certificates of deposit at June 30, 2020 in the amount of \$232,299 were all Level 2 investments.

		2021			
		Total			
		Fair Value	Level 1	Level 2	Level 3
Negotiable certificates of deposit	\$	137,438	\$ -	\$ 137,438	\$ -

Note 4- Capital Assets

Changes in capital assets as of and for the years ended June 30, 2021 and 2020 are as follows:

	Cost	Acquisitions	Disposals	Cost	Accumulated	Net
	06-30-20			06-30-21	Depreciation	Amount
Furniture/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70
	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70

	Cost	Acquisitions	Disposals	Cost	Accumulated	Net
	06-30-19			06-30-20	Depreciation	Amount
Furniture/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70
	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70

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. No depreciation expense was recorded for the fiscal year ended June 30, 2021 or for the fiscal year ended June 30, 2020.

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Note 5 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Due to Vendors	\$ 4,745	\$ 3,273
Due to Other State Agencies	2,572	3,515
Total Accounts Payable	<u>\$ 7,317</u>	<u>\$ 6,788</u>

Note 6 - Contractual Management Services

The Board does not have any employees. The Board contracts with a management service to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other clerical duties. The Board also reimburses the management service for printing, copying, postage and miscellaneous office supplies and expenses. Payments to the management service (including expense reimbursements) totaled \$87,228 during the fiscal year ended June 30, 2021. Payments to the management service (including expense reimbursements) totaled \$82,231 during the fiscal year ended June 30, 2020.

Note 7 - Related Party Transactions

The Board contracts with former Board members to perform peer review services for the Board. Peer review services are expenses incurred and paid for professional services rendered to investigate complaints against Board licensees and to investigate unlicensed practice. Payments to former Board members (for peer review services) totaled \$5,697 during the fiscal year ended June 30, 2021. Payments to former Board members (for peer review services) totaled \$1,477 during the fiscal year ended June 30, 2020.

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 handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the last three fiscal years.

Note 9 - Contingencies

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 herein ended.

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Note 10 - Subsequent Events

Subsequent events have been evaluated through October 31, 2021, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required approximately 80 audit hours at a cost of \$7,995.