

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD

**Financial Statements for the
Year Ended December 31, 2014 and
Independent Auditors' Report**

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD

Financial Statements for the Year Ended December 31, 2014 and Independent Auditors' Report

BOARD MEMBERS (2014)

John Louis Marmorato, Chairman

Lindsey Ray Griffin, Vice Chairman

Ronald L. Price, Secretary

Michael Franklin Currin, Treasurer

Charles A. Allen IV

Dwight David Collins (January - September)

Maeneen Klein (January - September)

Ronald Sneed (January - September)

David Gregory Williams (January - September)

Patrick Andrew Freeman (October - December)

Garry Grabow (October - December)

Brandon A. Gurley (October - December)

Mark Krouse (October - December)

BOARD ADMINISTRATOR

Barbara Geiger, Administrator

LEGAL COUNSEL

North Carolina Department of Justice

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD

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NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ended December 31, 2014. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2014, the Board's net position increased by \$28,338, or 14.8%, due to revenues exceeding expenses.

During 2014, the operating revenues of the Board increased by \$42,048, or 21.3%, due to an increase in individual renewal fees, corporate renewal fees, and expense reimbursements from licensees.

During 2014, the non-operating revenues of the Board decreased by \$113, or 8.2%, due to a decrease in cash on hand.

During 2014, the operating expenses of the Board decreased by \$14,149, or 6.3%, due to a decrease in board expenses, printing and copying expenses, and seal expenses.

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 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 Statement of Net Position presents the current and long-term portions of assets and liabilities separately.

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

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

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD

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 December 31, 2014	Current Year as of and for the year ended December 31, 2013
Current assets	\$ 365,671	\$ 323,118
Total assets	<u>\$ 365,671</u>	<u>\$ 323,118</u>
Current liabilities	\$ 146,107	\$ 131,892
Total liabilities	<u>\$ 146,107</u>	<u>\$ 131,892</u>
Unrestricted	\$ 219,564	\$ 191,226
Total net position	<u>\$ 219,564</u>	<u>\$ 191,226</u>
Operating revenues	\$ 239,103	\$ 197,055
Operating expenses	<u>(212,035)</u>	<u>(226,184)</u>
Operating income	27,068	(29,129)
Non-operating revenues	1,270	1,383
Change in net position	<u>\$ 28,338</u>	<u>\$ (27,746)</u>

Events Affecting Future Operations

The Board has indicated it has no significant events affecting future operations which are reportable pursuant to GASB 34.

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 Irrigation Contractors' Licensing Board, PO Box 41421, Raleigh, NC 27629.

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Certified Public Accountants

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Angier, North Carolina 27501-1545

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Facsimile: (919) 639-3102

INDEPENDENT AUDITORS' REPORT

Members of the Board
North Carolina Irrigation Contractors' Licensing Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes to the financial statements as listed in the table of contents of the North Carolina Irrigation Contractors' Licensing Board (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of December 31, 2014.

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 audit. We conducted our audit 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 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 auditors consider 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 Irrigation Contractors' Licensing Board as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' 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.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

April 29, 2015

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2014

	December 31, 2014
	Proprietary- Enterprise Fund
ASSETS	
Current assets:	
Cash in State Treasurer (Note 2)	\$ 360,150
Expense reimbursements due from licensees	4,713
Overpayment due from vendor	808
Total current assets	365,671
TOTAL ASSETS	\$ 365,671
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 8,392
Due to other state agencies- accounts payable	11,043
Due to other state agencies- civil penalties	8,367
Unearned revenue (Note 3)	118,305
Total current liabilities	146,107
TOTAL LIABILITIES	146,107
NET POSITION (NOTES 4)	
Unrestricted net position	219,564
TOTAL NET POSITION	219,564
TOTAL LIABILITIES AND NET POSITION	\$ 365,671

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2014

		2014
		Proprietary- Enterprise Fund
OPERATING REVENUES:		
Individual application fees	\$	1,400
Corporate application fees		2,600
Reciprocity application fees		500
Individual renewal fees		113,400
Corporate renewal fees		65,800
Late fees		5,900
Exam application fees		2,500
Examination fees		4,400
Examination test fees (including work books)		6,945
Seal income		2,200
Civil penalties (net of forfeitures)		3,339
Reimbursement of expenses by licensees		23,067
Other income (including reinstatement fees)		7,052
Total operating revenues	\$	239,103
OPERATING EXPENSES:		
Board per diem expenses (including meals and transportation)	\$	10,411
Investigation expense		47,346
Legal and accounting fees		71,784
Contracted management services - administrative fees (Note 5)		66,384
Contracted services - court reporter		946
Computer support		280
Telephone expense		512
Website expense		819
Mailing/postage expenses		3,035
Printing and copying expenses		4,810
Office expenses (supplies, rent for storage, and various office related costs)		1,217
Exam expenses (including workbooks)		3,483
Seal expense		884
Marketing and trade show expenses		103
Miscellaneous expenses		21
Total operating expenses	\$	212,035
Operating income	\$	27,068
See notes to financial statements.		

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2014

	2014 Proprietary- Enterprise Fund
NON-OPERATING REVENUES (EXPENSES):	
Interest income	\$ 1,270
Total non-operating revenues	1,270
Change in net position	\$ 28,338
Net position - beginning of year	191,226
Net position - end of year	\$ 219,564

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

	2014
	Proprietary- Enterprise Fund
Cash flows from operating activities:	
Cash received from fees and other revenues	\$ 238,520
Cash payments for operating expenses	(201,950)
Net cash provided by operating activities	\$ 36,570
Cash flows from investing activities:	
Interest on investments	\$ 1,270
Net cash provided by investing activities	\$
Net increase in cash	\$ 37,840
Cash - beginning of year	322,310
Cash - end of year	\$ 360,150
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income	\$ 27,068
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Changes in assets and liabilities:	
Expense reimbursements due from licensees	\$ (4,713)
Accounts payable	3,817
Accounts payable- civil penalties due	6,268
Unearned revenue	4,130
Total adjustments	\$ 9,502
Net cash provided by operating activities	\$ 36,570

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Irrigation Contractors' Licensing Board (the "Board") is an independent State agency (which was created on January 1, 2009 pursuant to North Carolina General Statute). It is an occupational licensing board and is authorized by Chapter 89G of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor of the State of North Carolina, the North Carolina Commissioner of Agriculture, the President of the University of North Carolina System, and the Board of Directors of the North Carolina Chapter of the American Society of Landscape Architects. 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 irrigation contractors.

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

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.

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.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith presents a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

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

The financial statements report all activities of the North Carolina Irrigation Contractors' Licensing Board using the economic 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, regardless of the timing of cash flows.

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. 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.

Fair Value of Financial Instruments

The carrying amounts of the Board's financial instruments approximate their fair value.

Income Taxes

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

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.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Note 2 - Deposits

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, if applicable, 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, and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At December 31, 2014, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$360,150 (including undeposited receipts, if any), and a bank balance of \$299,449.

Note 3 - Unearned Revenue

The Board's fees are assessed and collected on a calendar year which corresponds with the Board's financial accounting period. License fees received in the latter part of the fiscal year are unearned and recognized as revenue over the periods to which they relate.

Note 4 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation. The Board had no capital assets at year end.

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.

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*.

Note 5 - Contracted Management Services

The Board does not have any employees. The Board contracts with a management consultant 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 telephone, copying, postage and miscellaneous office supplies and expenses. Payments to the management service totaled \$76,710 during the fiscal year ended December 31, 2014.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Note 6 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. The Board has not purchased any commercial insurance coverage.

Note 7 - 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 year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 8 - Subsequent Events

Subsequent events have been evaluated through April 29, 2015, 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 45 audit hours at a cost of \$4,695.