

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD

**Financial Statements for the
Year Ended December 31, 2015 and
Independent Auditor's Report**

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Independent Auditor's Report**

BOARD MEMBERS (2015)

Patrick Andrew Freeman, Chairman

Brandon A. Gurley, Vice Chairman

Mark Krouse, Secretary

Garry Grabow, Treasurer

Charles A. Allen IV

Jeffrey Miles Edwards

Lindsey Ray Griffin

Adrian Scott Hicks

Ron Price

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, 2015. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2015, the Board's net position increased by \$34,556, or 19.1%, due primarily to a decrease in board expenses.

During 2015, the operating revenues of the Board increased by \$13,881, or 6.9%, due primarily to an increase in renewal fees.

During 2015, the non-operating revenues of the Board increased by \$452, or 35.6%, due to an increase in the rate of return earned.

During 2015, the operating expenses of the Board decreased by \$30,781, or 14.5%, due primarily to a decrease in investigation and legal 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, 2015	Current Year as of and for the year ended December 31, 2014
Current assets	\$ 336,526	\$ 338,975
Total assets	<u>\$ 336,526</u>	<u>\$ 338,975</u>
Current liabilities	\$ 121,302	\$ 158,307
Total liabilities	<u>\$ 121,302</u>	<u>\$ 158,307</u>
Unrestricted	\$ 215,224	\$ 180,668
Total net position	<u>\$ 215,224</u>	<u>\$ 180,668</u>
Operating revenues	\$ 214,088	\$ 200,207
Operating expenses	<u>(181,254)</u>	<u>(212,035)</u>
Operating income	32,834	(11,828)
Non-operating revenues	1,722	1,270
Change in net position	<u>\$ 34,556</u>	<u>\$ (10,558)</u>

Events Affecting Future Operations

The Board 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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INDEPENDENT AUDITOR'S 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 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 and for the year ended December 31, 2015, 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 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, 2015, 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 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.



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

Angier, North Carolina

August 2, 2016

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2015

	December 31, 2015
	Proprietary- Enterprise Fund
ASSETS	
Current assets:	
Cash in State Treasurer (Note 2)	\$ 335,718
Overpayment due from vendor	808
Total current assets	336,526
TOTAL ASSETS	\$ 336,526
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 2,230
Due to other state agencies- accounts payable	5,369
Due to other state agencies- civil penalties	4,453
Unearned revenue (Note 3)	109,250
Total current liabilities	121,302
TOTAL LIABILITIES	121,302
NET POSITION (NOTES 4 AND 9)	
Unrestricted net position	215,224
TOTAL NET POSITION	215,224
TOTAL LIABILITIES AND NET POSITION	\$ 336,526

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

		2015
		Proprietary- Enterprise Fund
OPERATING REVENUES:		
Individual application fees	\$	700
Corporate application fees		3,000
Reciprocity application fees		100
Individual renewal fees		94,900
Corporate renewal fees		61,800
Reinstatement fees		5,000
Late fees		4,650
Exam application fees		4,700
Examination fees		3,800
Examination test fees (including work books)		8,205
Seal income		4,295
Decal income		780
Civil penalties (net of forfeitures)		1,072
Reimbursement of expenses by licensees		20,951
Miscellaneous income		135
Total operating revenues	\$	214,088
OPERATING EXPENSES:		
Board per diem expenses (including meals and transportation)	\$	8,210
Investigation expense		16,578
Legal and accounting fees		62,660
Contracted management services - administrative fees (Note 5)		71,353
Contracted services - court reporter		320
Computer support		570
Telephone expense		383
Website expense		1,056
Mailing/postage expenses		4,213
Printing and copying expenses		5,841
Office expenses (supplies, rent for storage, and various office related costs)		985
Exam expenses (including workbooks)		4,935
Seal expense		2,182

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):	
Credit card processing fees	1,611
Miscellaneous expenses	<u>357</u>
Total operating expenses	<u>\$ 181,254</u>
Operating income	\$ 32,834
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>\$ 1,722</u>
Total non-operating revenues	1,722
Change in net position	<u>\$ 34,556</u>
Net position - beginning of year (Note 9)	<u>180,668</u>
Net position - end of year	<u><u>\$ 215,224</u></u>

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	2015
	Proprietary- Enterprise Fund
Cash flows from operating activities:	
Cash received from fees and other revenues	\$ 193,632
Cash payments for operating expenses	(193,090)
Net cash provided by operating activities	\$ 542
Cash flows from investing activities:	
Interest on investments	\$ 1,722
Net cash provided by investing activities	\$
Net increase in cash	\$ 2,264
Cash - beginning of year	333,454
Cash - end of year	\$ 335,718
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income	\$ 32,834
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	(11,836)
Accounts payable- civil penalties due	(3,914)
Unearned revenue	(21,255)
Total adjustments	\$ (32,292)
Net cash provided by operating activities	\$ 542

See notes to financial statements.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$335,718 (including undeposited receipts, if any), and a bank balance of \$302,498.

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 \$83,707 during the fiscal year ended December 31, 2015.

NORTH CAROLINA IRRIGATION CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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 August 2, 2016, 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.

Note 9 - Restatement of Net Position

The Board has restated its beginning net position for the year ended December 31, 2014 to correct an understatement of unearned revenue in the amount of \$12,200 and an overstatement of undeposited receipts in the amount of \$26,696. This resulted in a decrease in revenues in excess of expenses in the amount of \$38,896 for the year ended December 31, 2014.

In connection with these changes, the beginning net position (for 2015) has been restated as follows:

Net Position at January 1, 2015, as previously reported	\$	219,564
Adjustment for change in unearned revenue and undeposited receipts		(38,896)
Net Position at January 1, 2015, as adjusted	\$	<u>180,668</u>

Note 10 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 71 audit hours at a cost of \$5,895.