

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD

**Financial Statements for the
Years Ended June 30, 2013 and 2012 and
Independent Auditor's Report**

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD

Financial Statements for the Years Ended June 30, 2013 and 2012 and Independent Auditor's Report

BOARD MEMBERS (2012-2013)

Robert Scott Makey, Chairman

John W. Scott, Vice-Chairman

Jeffrey L. Tuttle, Secretary-Treasurer

Kevin Gantt

Chris W. Mitchell

Dennis E. Pitts

John A. Ross

Tracy Sides

Peggy VanDevender

EXECUTIVE OFFICER

Calvin M. Kirven, Executive Administrator

LEGAL COUNSEL

North Carolina Attorney General's Office

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-2
INDEPENDENT AUDITOR'S REPORT	3-4
FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-13

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION 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 years ending June 30, 2013 and 2012. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2013, the Board's net position increased by \$14,968, or 28.8%, due to the Board's operating revenues exceeding its operating expenses. During 2012, the Board's net position increased by \$20,559, or 65.6%, due to the Board's operating revenues exceeding its operating expenses.

During 2013, the operating revenues of the Board decreased by \$2,609, or 2.9%, due primarily to a decrease in application fees and examination fees. During 2012, the operating revenues of the Board increased by \$4,300, or 5.1%, due primarily to an increase in renewal fees, application fees, and examination fees.

During 2013, the non-operating revenues of the Board decreased by \$65, or 32.3%, due primarily to a decrease in interest earnings rates. During 2012, the non-operating revenues of the Board decreased by \$81, or 28.7%, due primarily to a decrease in interest earnings rates.

During 2013, the operating expenses of the Board increased by \$2,917, or 4.2%, due primarily to an increase in board member expenses, professional fees, and books and manuals expenses. During 2012, the operating expenses of the Board increased by \$563, or .1%, due primarily to an increase in contractual management services 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 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 LANDSCAPE CONTRACTORS' REGISTRATION 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 June 30, 2013	Current Year as of and for the year ended June 30, 2012
Current assets	\$ 97,213	\$ 82,357
Capital assets	0	0
Total assets	<u>\$ 97,213</u>	<u>\$ 82,357</u>
Current liabilities	\$ 30,329	\$ 30,441
Total liabilities	<u>\$ 30,329</u>	<u>\$ 30,441</u>
Investment in capital assets	\$ 0	\$ 0
Unrestricted	66,884	51,916
Total net position	<u>\$ 66,884</u>	<u>\$ 51,916</u>
Operating revenues	\$ 86,492	\$ 89,101
Operating expenses	(71,660)	(68,743)
Operating income	\$ 14,832	\$ 20,358
Non-operating revenues	\$ 136	\$ 201
Change in net position	<u>\$ 14,968</u>	<u>\$ 20,559</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 Landscape Contractors' Registration Board, PO Box 20875, Raleigh, NC 27619.

Shelton L. Hawley, CPA, PA
Certified Public Accountant

Suite B1
800 N. Raleigh St.
P.O. 1545
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825
Facsimile: (919) 639-3102

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Landscape Contractors' Registration Board
Raleigh, North Carolina

Report on the Financial Statements

I 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 Landscape Contractors' Registration Board (the "Board"), an agency of the State of North Carolina, as of June 30, 2013 and 2012.

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

My responsibility is to express an opinion on these financial statements based on the audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Landscape Contractors' Registration Board as of June 30, 2013 and 2012, 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. I 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 I obtained during my audits of the basic financial statements. I 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.

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

Angier, North Carolina

October 25, 2013

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash in bank (Note 2)	\$ 65,216	\$ 50,309
Cash in State Treasurer (Note 2)	30,907	30,771
Inventory (books and decals for resale, at cost)	1,090	1,277
Total current assets	97,213	82,357
Property and equipment (Note 1):		
Furniture and office equipment	0	0
Total property and equipment - net of depreciation	0	0
TOTAL ASSETS	\$ 97,213	\$ 82,357
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 358	\$ 431
Due to other state agencies	61	70
Deferred revenue (Note 3)	29,910	29,940
Total current liabilities	30,329	30,441
TOTAL LIABILITIES	30,329	30,441
NET POSITION (NOTE 4)		
Investment in capital assets	0	0
Unrestricted net position (deficit)	66,884	51,916
TOTAL NET POSITION	66,884	51,916
TOTAL LIABILITIES AND NET POSITION	\$ 97,213	\$ 82,357

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Renewal fees (including reinstatement fees)	\$ 61,590	\$ 61,470
Certificate fees	2,340	2,280
Application fees	5,775	7,875
Examination fees	5,160	7,140
Late filing fees	3,715	3,925
Decal sales	3,248	753
Books and manuals sales	4,551	5,614
Miscellaneous income	<u>113</u>	<u>44</u>
Total operating revenues	\$ 86,492	\$ 89,101
OPERATING EXPENSES:		
Contractual management services (Note 6)	\$ 43,200	\$ 43,200
Staff travel expenses	164	194
Board members expenses - travel and per diem	7,124	6,737
Website	334	360
Exam expenses	1,941	1,654
Office supplies		74
Printing and copying	4,081	4,176
Postage and related costs (Note 5)	4,092	4,444
Audit and accounting	4,390	3,200
Books, manuals and decals	2,995	2,139
Trade show and advertising	1,728	1,192
Bank fees and credit card discount fees	1,137	987
Miscellaneous	<u>474</u>	<u>386</u>
Total operating expenses	\$ 71,660	\$ 68,743
Operating income (loss)	<u>\$ 14,832</u>	<u>\$ 20,358</u>

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
NON- OPERATING REVENUES (EXPENSES):		
Interest income	\$ 136	\$ 201
Total non-operating revenues	\$ 136	\$ 201
Change in net position	\$ 14,968	\$ 20,559
Net position (deficit) - beginning of year	51,916	31,357
Net position (deficit) - end of year	\$ 66,884	\$ 51,916

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees	\$ 86,462	\$ 89,626
Cash payments for operating expenses	(71,555)	(67,373)
Net cash provided (used) by operating activities	\$ 14,907	\$ 22,253
Cash flows from investing activities:		
Interest on investments	\$ 136	\$ 201
Net cash provided by investing activities	\$ 136	\$ 201
Net increase(decrease) in cash	\$ 15,043	\$ 22,454
Cash - beginning of year	81,080	58,626
Cash - end of year	\$ 96,123	\$ 81,080
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income	\$ 14,832	\$ 20,358
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable - late fees due	\$	\$ 75
Inventory	187	1,008
Accounts payable	(82)	362
Deferred revenue	(30)	450
Total adjustments	\$ 75	\$ 1,895
Net cash provided by operating activities	\$ 14,907	\$ 22,253

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Landscape Contractors' Registration Board (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89D of the North Carolina General Statutes. The Board is a component unit of the State of North Carolina and is exempt from federal and state income taxes. The Board is composed of nine members who are appointed by the Governor, the Commissioner of the NC Department of Agriculture, and certain associations designated by statute.

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

The Board's operations are financed with self-generated revenues from fees charged to 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. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor and the General Assembly appoint the Board members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the North Carolina Landscape Contractors' Registration Board.

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith 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.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate 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 Landscape Contractors' Registration 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 fees. Non-operating revenues and expenses, if any, consist of those revenues and expenses that are related to investing activities and are classified as non-operating in the financial statements.

Cash in Bank

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

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.

Property and Equipment

Property and equipment 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. Summaries follow:

	Cost			Cost	Accumulated	Net
	06-30-12	Acquisitions	Disposals	06-30-13	Depreciation	Amount
Furniture/Equipment	\$ 852	\$ -	\$ -	\$ 852	\$ 852	\$ 0
	<u>\$ 852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852</u>	<u>\$ 852</u>	<u>\$ 0</u>

	Cost			Cost	Accumulated	Net
	06-30-11	Acquisitions	Disposals	06-30-12	Depreciation	Amount
Furniture/Equipment	\$ 852	\$ -	\$ -	852	\$ 852	\$ 0
	<u>\$ 852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852</u>	<u>\$ 852</u>	<u>\$ 0</u>

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.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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

Cash in bank

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

At June 30, 2013, the Board's deposits had a carrying amount (including undeposited receipts, if any) of \$65,216 and a bank balance of \$65,289, which was covered by federal depository insurance. At June 30, 2012, the Board's deposits had a carrying amount (including undeposited receipts, if any) of \$50,309 and a bank balance of \$50,165, which was covered by federal depository insurance.

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 June 30, 2013, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$30,907 (including undeposited receipts, if any), and a bank balance of \$30,907. At June 30, 2012, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$30,771 (including undeposited receipts, if any), and a bank balance of \$30,771.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

Note 3 - Deferred Revenue

The Board's license fees are assessed and collected on a calendar year basis. Licenses are renewed for a period of one year. License fees are deferred and recognized as revenue over the one year period 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 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 - expendable - 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*.

Note 5 - Operating Leases

The Board leased office equipment under an operating lease. Total rent expense charged to operations under the lease agreement was \$439 in 2013 and \$798 in 2012.

Rental commitments under noncancellable operating leases at June 30, 2013 are as follows:

Year Ending June 30,	
2014	\$ 319
2015	319
2016	80
	<u>\$ 718</u>

Note 6 - Contractual Management Services and Related Party Transactions

The Board contracted with a management consultant agency to provide services for the Board during the years ended June 30, 2013 and 2012. The contract included all services related to the process of licensure application and renewal and various other secretarial duties. The Board also reimbursed the management service agency for occasional purchases of miscellaneous office supplies and expenses. Payments to the management service agency totaled \$44,016 during the fiscal year ended June 30, 2013 and \$43,945 during the fiscal year ended June 30, 2012.

NORTH CAROLINA LANDSCAPE CONTRACTORS' REGISTRATION BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

Note 7 - 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. The Board has not purchased any commercial insurance coverage.

Note 8 - 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.

Note 9 - Subsequent Events

Subsequent events have been evaluated through October 25, 2013, 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.