



North Carolina Landscape Contractors' Licensing Board
Post Office Box 20875
Raleigh, North Carolina 27619
(O) 919.266.8070 (F) 919.782.9470
administrator@nclclb.com
www.nclclb.com

October 18, 2017

To: Joint Legislative Administrative Procedure Oversight Committee

Re: Annual Report

This letter is to comply with the provisions of NCGS 93B-2 relative to the filing on an annual report and financial statement.

This report covers the period from July 1, 2016 to June 30, 2017.

North Carolina Landscape Contractors' Licensing Board

3901 Barrett Drive, Suite 202 * Raleigh, NC 27619
Telephone: 919-266-8070 * Fax: 919-782-9470
Website: www.nclclb.com * email: info@nclclb.com

ANNUAL REPORT - JUNE 30, 2017

1. Names of Board members and officers:

Connie Hoyes, Chairman
John Scott, Vice Chairman
Chris W. Mitchell, Secretary-Treasurer
Board Members
Skip Warrick
Marsha Wyly
Kerry Danger
Chad MacAvery
Tim Boone
Barb Fair

The address of the Board is 3901 Barrett Drive, Suite 202, Raleigh, NC 27609.

2. Number of persons who applied to the Board for examination	17
3. Number of applicants who were refused examination	-0-
4. Number of applicants who took the examination	11
5. Number of whom initial licenses were issued	2,891
(By Exam)	6
(By Renewal)	2,885
6. Number who applied for license by reciprocity of comity	2
7. Number who were granted licenses by reciprocity or comity	-0-
7a the number of official complaints received involving licensed and unlicensed activities.	28
7b the number of disciplinary actions taken against licensees, or other actions taken against non-licensees, including injunctive relief.	4
8. Number of licenses suspended or revoked (for Non-renewal)	331
9. Number of licenses terminated for any reason other than failure to pay the required renewal fee	-0-
10. The substance of any anticipated request by the occupational licensing board to the General Assembly to amend statutes related to the occupational licensing board.	None
11. The substance of any anticipated change in rules adopted by the occupational licensing board or the substance of any anticipated adoption of new rules by the occupational licensing board.	None

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD

**Financial Statements for the
Years Ended June 30, 2017 and 2016 and
Independent Auditor's Report**

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD

Financial Statements for the Years Ended June 30, 2017 and 2016 and Independent Auditor's Report

BOARD MEMBERS (2016-2017)

Connie Hoyes, Chairman

John W. Scott, Vice-Chairman

Chris W. Mitchell, Secretary-Treasurer

Timothy J. Boone

Kerry Danger

Barbara Fair, PhD

Chad MacAvery

Skip Warrick

Marsha L. Wyly

EXECUTIVE OFFICER

Calvin M. Kirven, Executive Administrator

LEGAL COUNSEL

Anna B. Choi
Nichols, Choi & Lee, PLLC

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING 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, 2017 AND 2016	
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' 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 years ended June 30, 2017 and 2016. Please read it in conjunction with the financial statements which follow this section.

Financial Analysis

During 2017, the Board's net position increased by \$6,707, or 9.0%, due primarily to annually recurring revenues in excess of expenses. During 2016, the Board's net position increased by \$72,243, or 2,843.1%, due primarily to an increase in the Board's operating revenues

During 2017, the operating revenues of the Board decreased by \$78,470, or 20.7%, due primarily to a decrease in application fees. During 2016, the operating revenues of the Board increased by \$219,013, or 137.5%, due primarily to an increase in license fees due to statutory changes

During 2017, the non-operating revenues of the Board increased by \$88, or 39.5%, due primarily to an increase in earnings rate of return on cash on hand held by the Board. During 2016, the non-operating revenues of the Board increased by \$73, or 48.7%, due primarily to an increase in cash on hand held by the Board.

During 2017, the operating expenses of the Board decreased by \$12,846, or 4.2%, due primarily to a decrease in committee expenses. During 2016, the operating expenses of the Board increased by \$72,089, or 30.8%, due primarily to an increase in contractual management services, committee expenses, legal fees, and contracted temporary services.

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.

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' 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 June 30, 2017	Current Year as of and for the year ended June 30, 2016
Current assets	\$ 178,694	\$ 173,740
Capital assets	0	0
Total assets	<u>\$ 178,694</u>	<u>\$ 173,740</u>
Current liabilities	\$ 97,203	\$ 98,956
Total liabilities	<u>\$ 97,203</u>	<u>\$ 98,956</u>
Investment in capital assets	\$ 0	\$ 0
Unrestricted	81,491	74,784
Total net position	<u>\$ 81,491</u>	<u>\$ 74,784</u>
Operating revenues	\$ 299,874	\$ 378,344
Operating expenses	(293,478)	(306,324)
Operating income	\$ 6,396	\$ 72,020
Non-operating revenues	\$ 311	\$ 223
Change in net position	<u>\$ 6,707</u>	<u>\$ 72,243</u>

Events Affecting Future Operations

The Board has no significant events affecting future operations which are reportable pursuant to GASB 34. A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

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' Licensing Board, PO Box 20875, Raleigh, NC 27619.

Shelton L. Hawley, CPA, PA
Certified Public Accountants

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' Licensing Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Landscape 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 years ended June 30, 2017 and 2016, 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 the 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 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 Landscape Contractors' Licensing Board as of June 30, 2017 and 2016, 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 audits 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

September 1, 2017

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	June 30, 2017	June 30, 2016
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 143,295	\$ 140,909
Cash in State Treasurer (Note 2)	31,727	31,417
Inventory (books and decals for resale, at cost)	<u>3,672</u>	<u>1,414</u>
Total current assets	178,694	173,740
Capital assets (Notes 1 and 3):		
Furniture and office equipment	<u>0</u>	<u>0</u>
Total capital assets - net of depreciation	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 178,694</u>	<u>\$ 173,740</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 1,545	\$ 3,290
Due to other state agencies	438	176
Unearned revenue (Note 4)	<u>95,220</u>	<u>95,490</u>
Total current liabilities	97,203	98,956
TOTAL LIABILITIES	<u>97,203</u>	<u>98,956</u>
NET POSITION (NOTE 5)		
Investment in capital assets	0	0
Unrestricted net position	<u>81,491</u>	<u>74,784</u>
TOTAL NET POSITION	<u>81,491</u>	<u>74,784</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 178,694</u>	<u>\$ 173,740</u>

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Individual license fees (including reinstatement fees)	\$ 183,920	\$ 178,555
Corporate license fees	78,790	70,235
Certificate fees	275	50
Application fees	1,800	117,825
Examination fees	3,200	900
Late filing fees	5,025	
Books, manuals and decal sales	24,977	10,489
Miscellaneous income	<u>1,887</u>	<u>290</u>
Total operating revenues	\$ 299,874	\$ 378,344
OPERATING EXPENSES:		
Contractual management services (Note 7)	\$ 210,000	\$ 156,000
Board members expenses	5,385	3,724
Committee members expenses	5,690	32,509
Contracted temporary services		34,236
Contracted services- manual revision		1,000
Website	426	640
Exam expenses		2,397
Office supplies	814	1,284
Dues and subscriptions	175	1,150
Printing and copying	4,803	12,948
Postage and related costs (Note 6)	5,488	12,170
Legal, audit and accounting	34,012	36,265
Books, manuals and decals	16,732	4,428
Promotional costs (including trade show expense) (Note 1)	2,934	3,625
Bank fees and credit card discount fees	7,019	3,908
Miscellaneous		<u>40</u>
Total operating expenses	<u>\$ 293,478</u>	<u>\$ 306,324</u>
Operating income	<u>\$ 6,396</u>	<u>\$ 72,020</u>

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
NON- OPERATING REVENUES (EXPENSES):		
Interest income	\$ 311	\$ 223
Total non-operating revenues	\$ 311	\$ 223
Change in net position	\$ 6,707	\$ 72,243
Net position - beginning of year	74,784	2,541
Net position - end of year	\$ 81,491	\$ 74,784

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees	\$ 299,604	\$ 336,494
Cash payments for operating expenses	(297,219)	(309,348)
Net cash provided (used) by operating activities	\$ 2,385	\$ 27,146
Cash flows from investing activities:		
Interest on investments	\$ 311	\$ 223
Net cash provided by investing activities	\$ 311	\$ 223
Net increase(decrease) in cash	\$ 2,696	\$ 27,369
Cash - beginning of year	172,326	144,957
Cash - end of year	\$ 175,022	\$ 172,326
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income	\$ 6,396	\$ 72,020
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Inventory	\$ (2,258)	\$ (513)
Accounts payable	(1,483)	(2,511)
Unearned revenue	(270)	(41,850)
Total adjustments	\$ (4,011)	\$ (44,874)
Net cash provided by operating activities	\$ 2,385	\$ 27,146

See notes to financial statements.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Landscape Contractors' Licensing Board (the "Board") is an independent State agency. It functions as an occupational licensing board and is authorized by Chapter 89D of the North Carolina General Statutes. Effective August 1, 2015, pursuant to a statutory change, the Board became the NC Landscape Contractors' Licensing Board. It was formerly the NC Landscape Contractors' Registration Board. The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina. 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. It 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 landscape contractors.

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

Financial Reporting Entity

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

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

Basis of Presentation

The accompanying 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 LANDSCAPE CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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 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.

Cash in State Treasurer

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

Capital Assets

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. 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.

Inventory

This classification consists of publications and decals on hand for sale to licensees. Inventory on hand is recorded at cost. Cost is determined on the first-in, first-out method.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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

Promotional Costs

The Board incurs trade show expenses annually. These promotional costs are expensed as incurred. Payments for promotional costs totaled \$2,934 during the fiscal year ended June 30, 2017 and \$3,625 during the fiscal year ended June 30, 2016.

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 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 policies regarding custodial credit risk for deposits.

At June 30, 2017, the Board's deposits had a carrying amount (including undeposited receipts, if any) of \$143,295 and a bank balance of \$137,720, which was covered by federal depository insurance. At June 30, 2016, the Board's deposits had a carrying amount (including undeposited receipts, if any) of \$140,909 and a bank balance of \$136,690, 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, 2017, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$31,727 (including undeposited receipts, if any), and a bank balance of \$31,727. At June 30, 2016, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$31,417 (including undeposited receipts, if any), and a bank balance of \$31,417.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

Note 3 - Capital Assets

	Cost 06-30-16	Acquisitions	Disposals	Cost 06-30-17	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 852	\$ -	\$ -	\$ 852	\$ 852	\$ 0
	<u>\$ 852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852</u>	<u>\$ 852</u>	<u>\$ 0</u>

	Cost 06-30-15	Acquisitions	Disposals	Cost 06-30-16	Accumulated Depreciation	Net 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. No depreciation expense was recorded for the fiscal year ended June 30, 2017 or for the year ended June 30, 2016.

Note 4 - Unearned Revenue

The Board's license fees were assessed and collected on a calendar year basis until the fiscal year ended June 30, 2015. During the fiscal year ended June 30, 2015, concurrent with the Board's statutory name change, the Board adopted a new license term beginning August 1st of each year, and ending July 31st of each succeeding year. 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 5 - 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*.

NORTH CAROLINA LANDSCAPE CONTRACTORS' LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

Note 6 - Operating Leases

The Board leased office equipment under an operating lease. Total rent expense charged to operations under the lease agreement was \$319 in 2017 and \$319 in 2016.

Rental commitments under noncancellable operating leases at June 30, 2017 are as follows:

Year Ended June 30,	
2018	\$ 319
2019	319
2020	80
	<u>\$ 718</u>

Note 7 - Contractual Management Services

The Board contracted with a management consultant agency to provide services for the Board during the years ended June 30, 2017 and 2016. 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 \$211,281 during the fiscal year ended June 30, 2017 and \$157,334 during the fiscal year ended June 30, 2016.

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. The Board has not purchased any commercial insurance coverage.

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.

Note 10 - Subsequent Events

Subsequent events have been evaluated through September 1, 2017, 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 11 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 51 audit hours at a cost of \$4,895.