

North Carolina Locksmith Licensing Board

Financial Statements

Year Ended June 30, 2019



NORTH CAROLINA LOCKSMITH LICENSING BOARD
Financial Statements
Year Ended June 30, 2019

BOARD MEMBERS (2018-2019)

Jonathan Jeffries, Chairman

Dennis V. Berwyn, Vice Chair

Jennifer Richards, Secretary/Treasurer

D. Steve Bright

Maj. Bobby D. Blackmon

Jim Storie

Debbie Atkinson

Keith Throckmorton

Todd Going

Barden Culbreth, Executive Director

NORTH CAROLINA LOCKSMITH LICENSING BOARD
Financial Statements
Year Ended June 30, 2019

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NORTH CAROLINA LOCKSMITH LICENSING BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ending June 30, 2019. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2019, the Board's net position decreased by \$50,728 or 60%, due to the Board's operating expenses exceeding its operating revenue.

During 2019, the operating revenues of the Board decreased by \$24,581 or 23%, due to a decrease in license renewal revenue.

During 2019, the operating expenses of the Board decreased by \$1,278 or 1%, due to a decrease in advertising and web page maintenance 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.

The Statement of Net Position present the current and long term portions, if any, of assets and liabilities separately.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Board's net position 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 LOCKSMITH LICENSING BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Condensed Financial Information

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

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Amount of Change</u>
Current assets	\$ 58,078	\$ 120,271	\$ (62,193)
Total assets	<u>\$ 58,078</u>	<u>\$ 120,271</u>	<u>\$ (62,193)</u>
Current liabilities	\$ 24,728	\$ 36,193	\$ (11,465)
Total liabilities	<u>\$ 24,728</u>	<u>\$ 36,193</u>	<u>\$ (11,465)</u>
Unrestricted net position	\$ 33,350	\$ 84,078	\$ (50,728)
Total net position	<u>\$ 33,350</u>	<u>\$ 84,078</u>	<u>\$ (50,728)</u>
Operating revenues	\$ 81,974	\$ 106,555	\$ (24,581)
Operating expenses	<u>(132,702)</u>	<u>(131,424)</u>	<u>(1,278)</u>
Change in net position	<u>\$ (50,728)</u>	<u>\$ (24,869)</u>	<u>\$ (25,859)</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 Locksmith Licensing Board, P.O. Box 10972, Raleigh, North Carolina 27605-0972.



ERNEST W. WARNER, JR.
ROBERT A. ALEXANDER
JAMES E. CARTER, JR.
TINA M. GOERTZ

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NORTH CAROLINA LOCKSMITH LICENSING BOARD

We have audited the accompanying financial statements of NORTH CAROLINA LOCKSMITH LICENSING BOARD (the "Board") as of and for the year ended June 30, 2019, and the related notes to the 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 from 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NORTH CAROLINA LOCKSMITH LICENSING BOARD, as of June 30, 2019, and the respective changes in financial position and cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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N.C. Association of
Certified Public Accountants
Private Companies Practice Section
of the American Institute of
Certified Public Accountants
of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 5 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 historical 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A. T. ALLEN & COMPANY, LLP

Raleigh, North Carolina

October 31, 2019

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Statement of Net Position

June 30, 2019

Assets

Current Assets:

Cash	\$ 58,078
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Liabilities and Net Position

Current Liabilities:

Accounts payable	\$ 24,386
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Due to other state agencies	342
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Total current liabilities	24,728
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Net position:

Unrestricted	33,350
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Total liabilities and net position	\$ 58,078
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The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

Operating Revenues:	
License and exam fees	\$ 76,918
Other operating income	<u>5,056</u>
Total operating revenues	<u>81,974</u>
Operating Expenses:	
Administrative services	50,000
Bank fees	1,064
Meeting expense	4,084
Computer expense	252
Exam expense	100
Board insurance	1,497
Investigative fees	22,911
Legal and accounting fees	38,100
Miscellaneous	80
Printing and supplies	5,695
Postage	2,128
SBI fees	4,336
Telephone	671
Web page maintenance	<u>1,784</u>
Total operating expenses	<u>132,702</u>
Change in net position	(50,728)
Net position - beginning of year	<u>84,078</u>
Net position - end of year	<u><u>\$ 33,350</u></u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Statement of Cash Flows

Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from fees and other operating revenue	\$ 81,974
Cash payments for operating expenses	<u>(144,167)</u>
Net decrease in cash	(62,193)
Cash - beginning of year	<u>120,271</u>
Cash - end of year	<u>\$ 58,078</u>
Reconciliation of operating loss to net cash provided	
(used) by operating activities:	
Operating loss	\$ (50,728)
Adjustments to reconcile operating loss to net cash	
provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts payable	(11,313)
Due to other state agencies	<u>(152)</u>
Net cash provided (used) by operating activities	<u>\$ (62,193)</u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Notes to Financial Statements

June 30, 2019

1. NATURE OF ACTIVITIES

North Carolina Locksmith Licensing Board (the “Board”) is an independent state agency. It is an occupational licensing board and is authorized by 74F of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the General Assembly and the Governor of the State of North Carolina. 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 locksmiths.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 from the various licenses are deemed earned when the license period begins.

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Notes to Financial Statements

June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The Board classifies its revenues as operating and non-operating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues consist primarily of license fees and include 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

This classification includes undeposited receipts, petty cash, and checking accounts.

Revenue Recognition

The Board's license fees are assessed and collected every three years, which begins with each respective licensee's license inception date, and ends on each respective licensee's subsequent third year anniversary date. Licenses are renewed for a period of three years. License renewal fees are recognized as revenue in the period received and are not deferred and recognized as revenue over the periods to which they relate. This revenue recognition method reasonably reflects the income of the Board.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. NET POSITION

The net position of the Board are classified as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation. As of June 30, 2019, the Board had no investment in 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. As of June 30, 2019, the Board had no restricted net position – expendable.

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

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Notes to Financial Statements

June 30, 2019

4. CONTRACTUAL MANAGEMENT SERVICES

The Board does not have any employees. The Board has an annual contract with a company located in Raleigh, North Carolina to provide administrative services. The contract includes all services related to the process of license application, license renewal, and various other duties. The Board also reimburses the management company for miscellaneous office supplies and expenses. The amount paid under the contract during the year ended June 30, 2019, was \$50,000.

5. 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; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. The Board protects itself from exposure to loss through the purchase of commercial insurance coverage.

6. 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.

7. DEPOSITS

At June 30, 2019, the Board's deposits had a carrying amount of \$58,078 and a bank balance of \$58,078, which was covered by federal depository insurance.

8. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through October 31, 2019, the date which the financial statements were available to be issued.

9. NORTH CAROLINA LEGISLATIVE STATUTORY DISCLOSURE REQUIREMENT CONCERNING AUDIT FEES

The audit was conducted in approximately 45 hours at a cost of \$4,800.