

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

June 30, 2017

**BOARD OF DIRECTORS**

Russ Davis, Chair

Russ Ayers, Vice-Chair

Jerry Pearce, Secretary/Treasurer

Diana Rashash

Jeff Knight

Mark Brooks

Walter James

Glenn Hines

Adam Waters

**EXECUTIVE DIRECTOR**

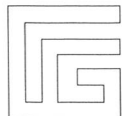
Connie Stephens

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

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June 30, 2017

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## **Independent Auditor's Report**

To the Board of Directors  
North Carolina On-Site Wastewater Contractors  
and Inspectors Certification Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board (the "Board"), a licensing board of the State of North Carolina, as of and for the year ended June 30, 2017, 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 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 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.

### *Opinions*

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board as of June 30, 2017, and the respective change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *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 3-5 be presented to supplement the basic financial statements. Such information, although not a required 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 handwritten signature in black ink that reads "Gibson & Company, P.A." in a cursive, flowing script.

Winston-Salem, North Carolina

August 11, 2017

## North Carolina On-Site Wastewater Contractors and Inspectors Certification Board

### Management's Discussion and Analysis

As management of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board, we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board's financial statements, which follow this narrative.

### Financial Highlights

- The assets of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board exceeded its liabilities at the close of the fiscal year by \$1,055,477 (net position).
- The Board's total net position increased by \$60,105.

### Overview of the Financial Statements

These financial statements consist of two sections, *management's discussion and analysis* and the *financial statements*.

The financial statements are prepared using the full accrual basis of accounting. They consist of three statements. The first statement is the **Statement of Net Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses, and Change in Net Position**. This statement is used in evaluating whether the Board has recovered all of its costs through application and renewal fees.

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the financial statements provide more detailed information and should be read in conjunction with the statements.

## Financial Analysis of the Board

Net position is an indicator of the fiscal condition of the Board. Assets exceeded liabilities by \$1,055,477 and \$995,372 at June 30, 2017 and 2016, respectively. Following is a summary of the Statement of Net Position as of June 30, 2017 and 2016:

**Figure 1**  
**Condensed Statement of Net Position**

	June 30, 2017	June 30, 2016
Current and other assets	\$ 1,139,139	\$ 1,076,841
Capital assets	1,187	674
Total assets	<u>1,140,326</u>	<u>1,077,515</u>
Current liabilities	84,849	82,143
Non-current liabilities	-	-
Total liabilities	<u>84,849</u>	<u>82,143</u>
Net investment in capital assets	1,187	674
Unrestricted net position	1,054,290	994,698
Total net position	<u>\$ 1,055,477</u>	<u>\$ 995,372</u>

Net position increased by \$60,105 and \$62,619 for the years ended June 30, 2017 and 2016, respectively, primarily due to fees collected exceeding expenses. Following is a summary of the change in net position:

**Figure 2**  
**Condensed Statement of Revenues, Expenses, and Change in Net Position**

	Year Ended June 30, 2017	Year Ended June 30, 2016
Operating revenues	\$ 210,588	\$ 206,675
Operating expenses	<u>154,356</u>	<u>147,801</u>
Operating income	56,232	58,874
Non-operating revenues (expenses)	<u>3,873</u>	<u>3,745</u>
Change in net position	60,105	62,619
Net position, July 1	995,372	932,753
Net position, June 30	<u>\$ 1,055,477</u>	<u>\$ 995,372</u>

## Capital Assets

The Board's investment in capital assets as of June 30, 2017 totals \$1,187 (net of accumulated depreciation).

**Figure 3**  
**Capital Assets**  
**(net of depreciation)**

	June 30, 2017	June 30, 2016
Equipment	<u>\$ 1,187</u>	<u>\$ 674</u>
Total	<u><u>\$ 1,187</u></u>	<u><u>\$ 674</u></u>

## Requests for Information

This report is designed to provide an overview of the Board's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Connie Stephens  
Executive Director  
PO Box 132  
Lawsonville, NC 27022  
(336) 202-3126



NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

STATEMENT OF NET POSITION

June 30, 2017

ASSETS

Current assets	
Cash and cash equivalents	<u>\$ 157,501</u>
Total current assets	<u>157,501</u>
Non-current assets	
Certificates of deposit designated for future enforcement	<u>981,638</u>
Property and Equipment	
Equipment	5,490
Less accumulated depreciation	<u>(4,303)</u>
	<u>1,187</u>
Total assets	<u>1,140,326</u>

LIABILITIES AND NET POSITION

Current liabilities	
Accrued payroll taxes	1,549
Fees collected but unearned	<u>83,300</u>
Total current liabilities	<u>84,849</u>
Net position	
Net investment in capital assets	1,187
Unrestricted	<u>1,054,290</u>
Total net position	<u><u>\$ 1,055,477</u></u>

The notes to the financial statements are an integral part of this statement.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the Year Ended June 30, 2017

OPERATING REVENUES	
Certification renewal fees	\$ 162,588
Certification application fees	47,750
Miscellaneous revenue	<u>250</u>
Total operating revenues	<u>210,588</u>
OPERATING EXPENSES	
Contractual management services	36,900
Salaries	36,400
Payroll taxes	3,016
Travel reimbursement - board members	9,108
Travel reimbursement - staff	3,567
Accounting expense	22,275
Legal fees	16,592
Postage	2,426
Printing	6,032
Investigations	350
Telephone	3,399
Bank charges	70
Office expense	1,259
Rent	9,000
Website expense	460
Meetings	2,512
Depreciation	437
Miscellaneous	<u>553</u>
Total operating expenses	<u>154,356</u>
Operating income	<u>56,232</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>3,873</u>
Total non-operating revenues (expenses)	<u>3,873</u>
CHANGE IN NET POSITION	60,105
NET POSITION AT BEGINNING OF YEAR	<u>995,372</u>
NET POSITION AT END OF YEAR	<u><u>\$ 1,055,477</u></u>

The notes to the financial statements are an integral part of this statement.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

**Cash flows from operating activities**

Cash received from fees and other sources	\$ 214,600
Cash payments for operating expenses	(117,358)
Cash payments to or on behalf of employees for services	(37,867)
Net cash provided by operating activities	<u>59,375</u>

**Cash flows from investing activities**

Purchase of certificate of deposit	(50,000)
Purchase of equipment	(950)
Net cash used by investing activities	<u>(50,950)</u>

Net increase in cash and cash equivalents 8,425

Cash and cash equivalents, beginning of year 149,076

Cash and cash equivalents, end of year \$ 157,501

**Reconciliation of operating income to net cash provided  
by operating activities:**

Operating income	<u>\$ 56,232</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	437
Changes in assets and liabilities:	
Decrease in accounts payable	(2,855)
Increase in payroll taxes	1,549
Increase in fees collected but unearned	<u>4,012</u>
Total adjustments	<u>3,143</u>
Net cash provided by operating activities	<u>\$ 59,375</u>

**NONCASH INVESTING AND FINANCING ACTIVITIES:**

Interest income added to certificates of deposit	<u>\$ 3,873</u>
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The notes to the financial statements are an integral part of this statement.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The North Carolina On-Site Wastewater Contractors and Inspectors Certification Board (the "Board") is an independent state agency. The Board is an occupational licensing board and is authorized by Chapter 90A of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor and the General Assembly of the State of North Carolina. The Board is established to protect the environment and public health, safety, and welfare by ensuring the integrity and competence of on-site wastewater contractors and inspectors. The Board's operations are financed with self-generated revenues from fees charged to licensees.

**Basis of Presentation**

The accounting policies of the Board conform to generally accepted accounting principles as applicable to governments.

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 On-Site Wastewater Contractors and Inspectors Certification Board.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Basis of Accounting**

The financial statements report all activities using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Deposits**

All deposits of the Board are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

**Cash and Cash Equivalents**

The Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash and cash equivalents.

**Certificates of Deposit Designated for Future Enforcement**

The certificates of deposit have original maturities ranging from 6 to 60 months and have been designated by the Board for future enforcement to include investigating and ensuring compliance with the applicable state statutes.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Property and Equipment**

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	Useful Life
Equipment	<u>5 years</u>

**Fees Collected But Unearned**

Certification renewal fees are due in November and cover the licensee for the next calendar year ending December 31<sup>st</sup>. Fees collected but unearned at June 30<sup>th</sup> are deferred.

Certification application fees are collected from applicants to cover the cost of processing their application, administering the necessary tests, and issuing their certificate. These fees are recognized as revenue when collected.

**Net Position**

Net position consists of the following:

Net investment in capital assets – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position – This component of net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Net Position (continued)**

Unrestricted net position – This component of net position consists of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

**Use of Estimates**

The preparation of financial statement 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. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Board from time to time may have amounts on deposit in excess of the insured limits.

At June 30, 2017, total Board deposits (including certificates of deposit designated for future enforcement) had a carrying amount of \$1,139,139 and a bank balance of \$1,143,977. As of June 30, 2017, the Board had no amounts on deposit in excess of the insured limits.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

### 3. PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Equipment	\$ 4,540	\$ 950	\$ -	\$ 5,490
Less accumulated depreciation	3,866	437	-	4,303
Total property and equipment, net	<u>\$ 674</u>			<u>\$ 1,187</u>

### 4. CONTRACTUAL MANAGEMENT SERVICES

The Board treated its executive director as an independent contractor until January 1, 2017. The Board contracted with the executive director to provide services for the Board. The contract included all services related to the process of licensure application and renewal and various other administrative duties. Payments to the executive director related to these services totaled \$36,900 for the year ended June 30, 2017. Beginning on January 1, 2017, the executive director became an employee.

### 5. RISK MANAGEMENT

The Board is exposed to various risks 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.

### 6. CONTINGENCIES

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of operations. In the opinion of management, the results of such actions will not materially affect the Board's operations, changes in financial position, or cash flows.



NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS  
AND INSPECTORS CERTIFICATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**7. RELATED PARTY TRANSACTIONS**

The Board rents its office from the executive director on a year to year basis. \$9,000 in rents were expensed for this service for the year ended June 30, 2017.

**8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 11, 2017, which is the date the financial statements were available to be issued.