

***ONE HUNDRED THIRTY-FOURTH***

***ANNUAL REPORT***

***NORTH CAROLINA***

***BOARD OF PHARMACY***

***2015***



**ONE HUNDRED THIRTY-FOURTH ANNUAL REPORT  
NORTH CAROLINA BOARD OF PHARMACY**

**October 1, 2014 – September 30, 2015**

Available at: <http://www.ncbop.org/about/about.htm>

**MEMBERS AND ORGANIZATION**

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***PER REQUIREMENTS OF N.C.G.S. § 93B-2***

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<b>William A. Mixon, Hickory, President.....</b>	<b>Term expires April 30, 2017</b>
<b>Carol Yates Day, Carrboro, Vice President .....</b>	<b>Term expires April 30, 2017</b>
<b>R. Joseph McLaughlin, Jr., New Bern .....</b>	<b>Term expires April 30, 2016</b>
<b>Gene Winston Minton, Littleton.....</b>	<b>Term expires April 30, 2020</b>
<b>Robert A. Graves, Asheboro.....</b>	<b>Term expires April 30, 2020</b>
<b>L. Stanley Haywood, Asheboro.....</b>	<b>Term expires April 30, 2020</b>

**Executive Director**

**Jack W. Campbell IV, Hillsborough**

**Associate Executive Director**

**Ellen Vick, Durham**

**General Counsel**

**Clinton R. Pinyan, Greensboro**

**Investigators/Inspectors**

**Joshua Kohler, Director, Raleigh**  
**Krystal Brashears, Assistant Director, Clayton**  
**Cindy Parham, Coordinator, Mebane**  
**Summer Canoy, Stem**  
**Catherine Collier, Aberdeen**  
**Christie Cutbush, Lumberton**  
**Maria Fabiano, Wilmington**  
**Holly Price Hunt, Lincolnton**  
**Sandra Knuckles, Boone**  
**Lisa Mendez, Raleigh**  
**Jason Smith, Monroe**  
**Melinda Smith, Greenville**  
**Loretta Wiesner, Asheville**  
**J. Ken Wilkins, Walnut Cove**

**Licensing**

**Debbie Stump, Director, Mebane**  
**Wendy Watson, Durham**  
**Missy Betz, Chapel Hill**  
**Stacie Mason, Pittsboro**  
**Leslie Wilson, Chapel Hill**

**Financial and HR Services**

**Gail Brantley, Director, Durham**  
**Rhonda Jones, Pittsboro**

**Operations**

**Kristin Moore, Director, Durham**  
**Thomas Buedel, Chapel Hill**  
**Nellie Jones, Durham**

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Chapel Hill, North Carolina  
October 29, 2015

Governor Pat McCrory  
Raleigh, North Carolina

Dear Governor McCrory:

In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Thirty-Fourth Annual Report of the North Carolina Board of Pharmacy.

Please note that this report and past annual reports are available to the public through the Board's website at this address: <http://www.ncbop.org/about/about.htm>

Respectfully yours,

NORTH CAROLINA BOARD OF PHARMACY

by:

A handwritten signature in black ink, appearing to read "Jack W. Campbell", written over a horizontal line.

Jack W. Campbell IV, Executive Director

\*\*Note Concerning the Timing of this Annual Report and the Board's Financial Statement and Audit Report\*\*

The Board of Pharmacy's fiscal year runs from October 1 through September 30. Accordingly, the Board cannot submit its audited FY2014-15 financial statement contemporaneously with this report. The Board's annual financial audit is scheduled for November 2-6, 2015. Board staff anticipates receipt of its financial audit report in December 2015. Board staff further anticipates that, consistent with prior years, the Board members will review and approve the audit report at its regularly scheduled business meeting in January 2016.

Per instructions from the Office of State Budget and Management ("OSBM"), Board staff has informed OSBM of its year end date and will submit the audited financial report no later than four months after year end.

Please note that the audited FY2013-14 financial report was previously submitted in January 2015 to the appropriate agencies as required by Chapter 93B. That financial report is resubmitted as an attachment to this report.

## Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY 2014-15. The below information, and much more, may be found on the Board's website, [www.ncbop.org](http://www.ncbop.org); in the Board's quarterly newsletters, <http://www.ncbop.org/newsletters.htm>; and in the agendas for, and minutes of, the Board's regularly scheduled meetings, <http://www.ncbop.org/about/meetings.htm>.

## Board Personnel

### Members

On May 1, 2015, Board Member Gene Minton began serving his second five-year term as the Northeastern District member.

On the same date, Board Member Stan Haywood began serving a five-year term as the Central District member. From 2001 to 2010, Mr. Haywood served two terms as a Board member.

Likewise, on May 1, 2015, the Board welcomed Robert Graves as the Governor's appointed public member of the Board. Mr. Graves served for 29 years as a member of the North Carolina State Highway Patrol. After retirement from the Patrol, he joined Randolph Community College as the Director of Safety and Emergency Preparedness. Mr. Graves also serves as a member of the NC Criminal Justice Information Network Governing Board. Mr. Graves was awarded The Order of the Long Leaf Pine in 2009.

In Spring 2015, the Board of Pharmacy conducted elections for the Southeastern District seat, presently held by Joey McLaughlin. John Andrew "Andy" Bowman of Lillington, NC was elected to a five-year term. Dr. Bowman will begin his term on May 1, 2016, once commissioned by the Governor pursuant to N.C.G.S. § 90-85.6.

The Board expresses its appreciation to the other candidates for Board membership from the Southeastern District: Ashley Abode, Lisa Ashworth, Jennifer Buxton, Henry Herring, and Mark Lyons.

In Spring 2016, the Board will hold elections for the Western and Northern District seats, presently held by Board President Bill Mixon and Board Vice-President Carol Day. Nominations for those positions will be open through March 15, 2016. In early 2016, Board staff will hold candidate interest forums in the districts to answer questions and discuss what it means to serve on the Board.

All Board members completed their N.C.G.S. § 93B-5(g) required biennial refresher training during FY 2014-15.

### Device and Medical Equipment Subcommittee

By rule, the Board has a Device and Medical Equipment Subcommittee that is composed of DME permit holders and serves a body of experts to advise and recommend actions to the Board in the specific field of DME regulation. In June 2015, the DME Subcommittee held an election for the Rehabilitation Technology Supplier representative seat. This seat was held by DME Subcommittee member Edward Dressen, who ran unopposed and was re-elected by NC DME permit holders to serve a second term.

The Board certified the election result at its July 21, 2015 meeting. Mr. Dressen will serve for four years. The Board congratulates Mr. Dressen and appreciates his continued service.

### Staff

As discussed below, the Board's Department of Investigations and Inspections has expanded and reorganized over the past two years. The Board hired new field staff as part of that effort.

2014 saw three additions. In June, Catherine "Liz" Collier was hired as an investigator/inspector for the central region of the state. Ms. Collier's background includes nursing practice and education, as well as several years' practice as a pharmacy technician. In August, Lisa Mendez joined the Board as an investigator/inspector, also in the central region of the state. Ms. Mendez served as a member of the Raleigh Police Department for ten years prior to joining the Board. In September, Maria Fabiano came aboard as an investigator/inspector for the southeastern region of the state. Ms. Fabiano brings to the Board approximately fifteen years' experience as a pharmacy technician and supervisor.

2015 likewise saw three additions. In April, Christie Cutbush joined the Board as an investigator/inspector for the southeastern region of the state. Ms. Cutbush brought nearly twenty years' experience as a pharmacy technician to the position. In June, Sandra Burns Knuckles and Summer Canoy began their employment as investigators/inspectors. Ms. Knuckles' responsibilities are in the northwestern region of the state. Ms. Knuckles was previously a Board inspector/investigator, and staff is delighted to have her back. Ms. Canoy serves in the northeastern region of the state. She brings several years' experience working for the Florida Department of Agriculture as a regulatory consultant, as well as experience as a private investigator and investigator for a public defender.

### Rulemaking Activity

The Board conducted several rulemakings during FY 2015, each of which was designed to streamline or reduce regulatory requirements and/or conform state law with federal law. Information about all in-progress Board of Pharmacy rulemaking proceedings is found at <http://www.ncbop.org/rulemakings.htm>.

Fee-Exempt Registration of Pharmacy Technicians Who Practice Solely at Free or Charitable Clinics. Amendments to 21 N.C.A.C. 46.3301, which governs pharmacy technician registration, went into effect on July 1, 2015. Among other things, amended Rule .3301 clarifies that pharmacy technicians who provide services solely at a free clinic (as defined at G.S. 90-85.44) are required to register as technicians, but are exempt from the registration fee. The registration fee will be waived upon verification of the free clinic site.

Delivery of Devices and Medical Equipment from Off-Site Storage Facilities. The Board amended 21 N.C.A.C. 46.2612, which governs the storage of devices and medical equipment. Members of the Board's Device and Medical Equipment Subcommittee recommended that Rule .2612 be amended to allow a properly trained employee of a permitted device and medical equipment facility to travel to an offsite storage facility (which does not hold a permit), retrieve medical equipment, and effect delivery to patients. The amendment will facilitate better service to patients – particularly where bulky medical equipment is concerned – without any appreciable risk to the public health and safety.

Right to Refuse a Prescription. The Board amended 21 N.C.A.C. 46.1801, which articulates the circumstances under which a pharmacist may – or must – refuse to dispense a prescription. Changes in medical practice models, particularly in the field of telemedicine, rendered certain provisions of Rule .1801 confusing for practicing pharmacists. The Board worked closely with the North Carolina Medical Board to affect changes to Rule .1801 that reflected the Medical Board's views on appropriate medical practice, ensuring that prescribers, pharmacists, and patients will have their needs met in a timely, safe way.

Dispensing of Epinephrine Auto-Injectors to School Personnel by Health Department Registered Nurses. Responding quickly to a provision in the 2014 state budget amendments and the recommendation of the State Health Director, the Board amended 21 N.C.A.C. 46.2401 and .2403 to authorize registered nurses at public health departments to dispense epinephrine auto-injectors to school personnel. Doing so provided another convenient avenue for school personnel to obtain this life-saving drug.

Compounded Drug Products. The Board completed a rulemaking begun in FY2013-14 that consolidated and clarified the rules governing drug compounding. The rulemaking was necessitated by passage of the federal Drug Quality and Security Act of 2013. The amended rules, found in 21 N.C.A.C. Section 2800, ensure that state and federal standards for pharmacy compounding are aligned to best ensure the public health and safety. As well, the amendments consolidated all pharmacy compounding requirements into one section of the Board's rules, making them more accessible to practicing pharmacists.

## Administrative Improvements

### Team FOCUS (Field Optimization Created Using Specialization)

The North Carolina Board of Pharmacy is required to “enforce the provisions of the Pharmacy Practice Act and the laws pertaining to the distribution and use of the drugs” with a specific charge to “promptly conduct an investigation upon receiving information concerning a violation of the Pharmacy Practice Act that is a threat to the public safety, health or welfare.”

The North Carolina Board of Pharmacy Department of Investigations and Inspections conducts approximately 300 investigations annually. Furthermore, each investigation includes a full inspection of the pharmacy or the DME facility being investigated.

The North Carolina Board of Pharmacy Department of Investigations and Inspections performed 2611 inspections between January 1, 2012 and February 20, 2015. Each year, on average, Board staff conducts approximately 700 stand-alone inspections of retail, hospital and compounding pharmacies, as well as Durable Medical Equipment (DME) facilities.

Stand-alone inspection frequencies are risk-based, with risk determined by reference to the type of facility and the specific pharmacy services provided by the facility:

- all pharmacies/DME facilities are inspected at least every 4 years,
- facilities performing sterile compounding of high risk products are inspected at least annually,
- facilities performing sterile compounding of medium risk products are inspected at least every 2 years;
- facilities performing sterile compounding of low risk products are inspected at least every 4 years;

Historically, the Board has divided the state into geographical regions and assigned one member of the field staff primary responsibility for all inspections and investigations in that region. At the beginning of FY 2014-15, the state was divided into nine regions, up from seven in 2013.

Last year, Board staff undertook another analysis of field staff workloads and, in particular, the balance of investigative needs and inspections needs. Workload was (and remains) high, but field staff reported that their most significant challenge was maintaining the demanding stand-alone inspection schedule noted above while also completing investigations in a timely fashion. The amount of field time required to



complete a full investigation can vary substantially owing to the often unpredictable level of complexity for a given case, as well as the involvement of other law enforcement agencies.

In March 2015, staff proposed to optimize field operations by dividing the state into five geographical districts, each with a two-person team. One team member would focus primarily on investigations, and the other team member would focus primarily on inspections. Furthermore, the plan included a floating senior investigator/inspector who would train and mentor field staff, as well as offer back up for audits, investigations or inspections in any district showing a workload spike. All team members would be trained extensively on both investigations and inspections so that they may provide support and back up for one another. Specialization, however, would ensure that the risk-based inspection schedule is maintained and that investigations are completed in a thorough and timely fashion.

The Board members unanimously approved the Team FOCUS proposal, additional field staff was hired, and the program implemented July 1, 2015. The early results of the program have been as hoped. The program works well to provide coverage for each district at all times and to foster a team approach to perform the most effective and extensive investigations and inspections in order to protect the public health, safety and welfare of the citizens of North Carolina

#### Review of Programs and Services by the National Association of Boards of Pharmacy

In February 2015, through a Letter of Agreement with National Association of Boards of Pharmacy, Board requested an independent review of the Board's operations and systems. The primary objective of the review was to consider ways that the Board might operate more efficiently and effectively without compromising its core programs and services, and without reducing customer service. The review also included an assessment of the Board's response to the 2013 audit by the State Auditor.

The review was conducted in March and April 2015. Prior to a site visit, two NABP staff members reviewed policy manuals, job descriptions, a 2012 report from the state auditor, the Board's most recent annual report, laws and regulations, and other available policies and procedures. During a one-week site visit, most on-site Board staff members were interviewed, as well as three field inspectors/investigators, Board legal counsel, and the Board's contract software developer. There was some observation and demonstration of processes as well. An exit interview was conducted with the Board executive director to discuss some preliminary observations and obtain additional information and clarifications.

There review found that the Board is a well-run board of pharmacy. The Board handles its workload in all of its programs and services in a reasonable time frame with effective outcomes. A number of recommendations or suggestions for improvement were made, primarily to assist the Board staff in reducing workload by leveraging technology

where feasible. A number of these suggestions have already been implemented, and further improvement of IT infrastructure to improve efficiency and customer service is underway.

The review noted that, compared to other boards of pharmacy around the country, the Board has advantages in its Board structure and staff that allow it to be more efficient and effective. As an independent authority rather than one board among many within a consolidated department or agency, it has the ability to respond more rapidly and flexibly to emerging issues than some boards consolidated within an “umbrella” department. For example, it has the ability to contract for technology needs that are focused and specific to a board of pharmacy, rather than having to conform to technology needs that have to take into account multiple boards and their needs, which may sometimes be less functional and more expensive. Also, the Board has a pharmacist and attorney as its chief executive officer. Without a pharmacist as the CEO, board members who are already very busy with primary employment as well as board responsibilities may also have to handle or assist with the board business and correspondence that requires professional pharmacy expertise. NABP found that the Board embraces transparency and openness to the public and the regulated community, as evidenced most recently by its streaming Board meetings live on YouTube. NABP noted that Board staff is vested in improving efficiency of operations, but not at the expense of allowing customer service to suffer in these efforts.

The Board had a financial audit by the North Carolina State Auditor in 2013. The auditor did report one finding that the Board did not conduct inspections of pharmacies on a regular basis, with several contributing factors including a lack of inspection requirements in state law, absence of a Board policy that requires periodic inspections, failure to adequately monitor and track last inspection dates of pharmacies, and inadequate number of inspection staff. NABP concluded, based on information gathered and observations during the site visit, that the Board has completely addressed this finding by the State Auditor.

Since the audit report, the Board has implemented a number of steps to correct the deficiency and conduct regular inspections on an ongoing basis including formalizing its inspection policy, improving inspection checklists and practices, updating the database to run reports showing inspection dates, enhancing the database to identify risk levels for pharmacies that impact inspection schedules, and implementing additional training for inspectors. Additionally, at the time of the NABP visit, Board staff was developing the now-implemented (and above-discussed) Team FOCUS plan to further optimize field operations.

#### Other Highlights From 2014-15

The Board maintains a website – [www.ncbop.org](http://www.ncbop.org) – designed to provide information on a wide variety of topics to the public the Board serves and to the pharmacists, pharmacies, technicians, dispensing physicians, dispensing nurse

practitioners, dispensing physician assistants, and device and medical equipment facilities that the Board regulates.

In addition, the Board publishes a newsletter quarterly that focuses on both state- and national-level issues of importance in the pharmacy regulatory community. Those newsletters may be found here: <http://www.ncbop.org/newsletters.htm>.

The Board livestreams its meetings on a YouTube channel, providing a no-cost option for the public to attend, at least virtually, each meeting. Instructions on how to access the Board's live-streamed meetings (as well as view archived recordings of past meetings) are found here: <http://www.ncbop.org/livestreamboardmtgs.html>.

### Pharmacy Compounding Regulation

Inspection for, and enforcement of, compliance with proper pharmacy compounding standards remains an area of focus for the Board. As noted above, in FY2015, the Board completed a rulemaking that harmonized state regulation of pharmacy compounding with requirements of the federal Drug Quality and Security Act. The rulemaking also consolidated and substantially clarified a number of requirements, which has improved access to and understanding of them by regulated entities.

Board field staff train continuously on pharmacy compounding standards, ensuring that inspections are focused, efficient, and most protective of the public health and safety. This training, and the improvements it brings to all aspects of the Board's inspection program, continues to pay tremendous public health dividends.

Furthermore, the Board's Associate Executive Director, Ellen Vick, has provided extensive service to the National Association of Boards of Pharmacy in its development of the Verified Pharmacy Practice ("VPP") program, which has as its aim the creation of a nation-wide database of inspection data on pharmacies available to every board of pharmacy in the country. A central piece of that program is refinement of a multi-state pharmacy inspection blueprint that will assist boards of pharmacy to obtain consistent, useful information on the safety and legality of pharmacy practices. Dr. Vick is now recognized as one of the foremost experts on this process, and the hard work done at the North Carolina Board of Pharmacy to improve its inspection tools has substantially impacted the form and content of the multi-state blue print.

Another area of concern – and action -- are instances in which some compounding pharmacies – typically using salespeople or “runners” – market topical “pain” creams to patients. National news reports have detailed instances in which patients receive these topical compounds despite no recollection of having authorized them and no interaction whatsoever with the prescribing physician. These patients often later find that their insurance policies have been billed tens (or even hundreds) of thousands of dollars for these “pain” creams.

Unscrupulous pharmacies have particularly (though not exclusively) targeted beneficiaries of various federal payer programs (such as TRICARE) – especially military veterans – in these schemes. A few news stories detailing these activities may be found at the following links.

- [www.cbsnews.com/news/investigation-insurance-billed-18000-for-unwanted-pain-meds](http://www.cbsnews.com/news/investigation-insurance-billed-18000-for-unwanted-pain-meds)
- [www.militarytimes.com/story/military/benefits/healthcare/2015/04/10/tricare-compound-medicationstactics/25535291](http://www.militarytimes.com/story/military/benefits/healthcare/2015/04/10/tricare-compound-medicationstactics/25535291)
- <http://wtop.com/national/2015/05/report-military-vetsgetting-dubious-pain-drugs-astronomical-taxpayerexpense>

Board staff are monitoring these developments and, where appropriate, working with federal authorities to identify and take proper action against pharmacies engaged in fraudulent activities of this nature. Indeed, alert work by a Board field investigator identified a pharmacy in western North Carolina engaged in these practices. The pharmacy was quickly shuttered and Board field staff's work was instrumental in the opening of a civil and criminal investigation by the Department of Defense.

#### Prescription Drug Diversion

The Board continues to partner with other North Carolina and federal agencies (such as the North Carolina Department of Health and Human Services, the North Carolina Medical Board, North Carolina Board of Nursing, State Bureau of Investigation, the Drug Enforcement Administration, and local law enforcement agencies) to do its part to prevent, detect, and punish prescription drug diversion. Such activity has, of course, always been a substantial aspect of the Board's core mission.

The Board consistently educates pharmacies and pharmacists on best practices that must be employed to mitigate this national public health crisis. For instance, the Board has published a statement of expected practices for use of the North Carolina Controlled Substances Reporting System ("CSRS"), which is found here: <http://www.ncbop.org/PDF/NCBOPStatementConcerningCSRSUseOct2014.pdf>

The Board has also partnered with the University of North Carolina Eshelman School of Pharmacy to produce a continuing education module focused not only on the nuts and bolts of CSRS access, but also on case-based learning approached designed to maximize the utility of the CSRS in day-to-day pharmacy practice. Once completed (anticipated early 2016), the continuing education module will be made available without cost to all pharmacists and pharmacy technicians in the state.

The Board continues to work closely with its public health partners to maximize the ready distribution of naloxone, an opioid antagonist that has resulted in dozens of North Carolina lives saved from overdose deaths in the past year alone.

\* \* \*

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board. The statistics reported below further demonstrate the Board's active licensing, permitting, registration, and disciplinary docket.

N.C.G.S. § 93B-2 Report Contents

North Carolina Board of Pharmacy  
Census of Licenses, Permits, and Registrations  
As of September 30, 2015

These statistics, and statistics for previous years, may also be found here:  
<http://www.ncbop.org/about/statistics.htm>

**PHARMACISTS**

Total number of active pharmacists licensed.....	15,511
Total number of active pharmacists residing in North Carolina.....	11,570
Inactive pharmacists residing in North Carolina .....	2,474
Total number of active pharmacists residing outside of North Carolina .....	3,941
Total number deceased in FY 2015 .....	6

**Breakdown of Employment Settings In-State**

Retail Pharmacy – Chain .....	3,858
Retail Pharmacy – Independent.....	1,718
Hospital Pharmacies .....	2,937
Nursing Homes.....	108
Government, Health Departments and Teaching.....	154
Pharmaceutical Manufacturing and Wholesale Sales.....	89
Other .....	1,630
Sales and Research .....	79
Unknown Position .....	997

**Age and Gender of Active Pharmacists in North Carolina**

Under 30 years of age.....	1,507
30 – 39 years of age.....	3,048
40 – 49 years of age.....	2,933
50 – 59 years of age.....	2,081
60 – 65 years of age.....	1,049
Over 65 years of age.....	952
In-state Pharmacists – Female .....	6,842
In-state Pharmacists – Male.....	4,728

**PHARMACIES**

Total in-state Pharmacy permits on roster .....	2,776
Retail Pharmacy – Chain .....	1,288
Retail Pharmacy – Independent.....	721
Hospital Pharmacies .....	189
Nursing Homes.....	27
Health Departments .....	85
Free Clinics.....	39
IV Infusion .....	42
Automated Dispensing Systems .....	100
Others .....	285
Total out-of-state Pharmacy permits on roster .....	634

**DEVICE AND MEDICAL EQUIPMENT**

Total DME permits on roster.....	857
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**DISPENSING PHYSICIANS**

Total Physicians registered .....	820
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**PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS**

Total PA's and NP's registered to dispense .....	269
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**PHARMACY TECHNICIANS**

Total Pharmacy Technicians registered.....	17,736
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(1) *The Address of the Board, and the Names of Its Members and Officers*

Board offices are located at 6015 Farrington Road, Suite 201, Chapel Hill, NC 27517.

The Board members and officers are noted on the cover page of this report.

(2) *The Number of Persons Who Applied to the Board for Examination*  
655 persons applied to the Board for licensure by examination in FY2015.

(3) *The Number of Persons Who Were Refused Examination*

One (1) candidate was refused on the basis that the candidates did not possess the qualifications necessary to sit for examination.

(4) *The Number of Persons Who Took the Examination*

621 candidates sat for examination in FY2015. 16 candidates withdrew from examination. No candidate failed to appear for examination. As noted above, one (1) candidate was refused examination.

(5) *The Number of Persons to Whom Initial Licenses Were Issued*

The Board issued 592 licenses by examination in FY2015.

(6) *The Number of Persons Who Failed One or More Licensure Examinations*

52 candidates failed one or more of the licensure examinations in FY2015.

(7) *The Number of Persons Who Applied for License by Reciprocity or Comity*

376 persons applied for licensure by reciprocity in FY2015.

(8) *The Number of Persons Who Were Granted Licenses by Reciprocity or Comity*

369 persons were granted licensure by reciprocity in FY2015.

(9) *The Number of Complaints Involving Licensed and Unlicensed Activities, The Number of Disciplinary Actions Taken Against Licensees and Nonlicensees (Including Injunctive Relief), The Number of Licenses Suspended or Revoked*

Total number of complaints received involving licensee and unlicensed activities	340
Total number of inspections conducted	807
Total number of "no action" decisions after investigation (i.e., investigation did not find any violation of law)	50
Total number of "no action" decisions due to Board having no jurisdiction over complained-of behavior	71
Total number of injunctions obtained to halt unlicensed practice	1
Total number of warning letters issued post pre-hearing conference or by administrative disposition	94
Total number of cases resulting in consent orders	12
Total number of cases resulting in full board hearings	16
Pharmacist license applications denied	1
Pharmacist licenses revoked	0



Pharmacist licenses suspended	6
Pharmacist licenses surrendered	18
Pharmacy technician registration applications denied	22
Pharmacy technician registrations revoked	1
Pharmacy technician licenses suspended	5
Pharmacy technicians surrendered	34
Pharmacy permit applications denied	62
Pharmacy permits revoked	0
Pharmacy permits suspended	4
Pharmacy permits surrendered	2
DME permit applications denied	0
DME permits revoked	0
DME permits suspended	1
DME permits surrendered	3

(10) *The Number of Licenses Terminated For Any Reason Other than Failure to Pay the Required Renewal Fee*

Beyond the number of licenses suspended or revoked for disciplinary reasons (see number 9 above), no licenses, permits, or registrations were terminated for reasons other than failure to pay the required renewal fee.

(11) *The Substance of Any Anticipated Request by the Occupational Licensing Board to the General Assembly to Amend Statutes Related to the Occupational Licensing Board*

The Board of Pharmacy may have a limited request to the General Assembly to amend the Pharmacy Practice Act in FY2016. As part of its review of operations (discussed above), the Board is considering means by which it could improve its licensee background-check efforts and do so in a way that leverages technology to reduce administrative burdens to would-be licensees and Board staff. Doing so may require a minor modification to the Pharmacy Practice Act.

The Board also notes that various public health authorities have discussed a potential request to the General Assembly to grant pharmacists an independent authority to prescribe and dispense naloxone for treatment of opioid overdose.

(12) *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*

The Board may undertake rulemaking on the following topics during FY2016:

- The Clinical Pharmacist Practitioner Joint Subcommittee (“CPPJS”) is composed of three members each from the Pharmacy and Medical Boards. As the name suggests, the CPPJS regulates the credentialing and practice competency of Clinical Pharmacist Practitioners. The CPPJS is contemplating a consolidation of primary regulatory responsibility in the Board of Pharmacy. Doing so will require a handful of amendments to 21 N.C.A.C. 46.3101.
- The Board remains active in reviewing technology-based improvements and opportunities in the practice of pharmacy. That review could trigger a need to complete modernizing amendments to certain of the Board’s rules in FY 2016.
- The Board is reviewing the means by which it accredits, tracks, and audits continuing education requirements for the state’s pharmacists, with an aim to streamlining each of them. Substantial changes to any of those processes could require the Board to amend its rules governing continuing education.

Interested parties may obtain complete information about any in-progress Board of Pharmacy rulemaking here: <http://www.ncbop.org/rulemakings.htm>

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013



*Certified Public Accountants and Advisors Since 1947*

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of Independent Accounting  
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# **NORTH CAROLINA BOARD OF PHARMACY**

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**NORTH CAROLINA BOARD OF PHARMACY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2014**

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**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of the North Carolina Board of Pharmacy (the "Board"), for the fiscal year ended September 30, 2014. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

**Using the Financial Statements**

The Board's financial report includes three financial statements: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. These financial statements are prepared in accordance with the principles of the Governmental Accounting Standards Board ("GASB").

The Statements of Net Position include all Board current and noncurrent assets and liabilities. Current assets are those that are expected to be converted to cash within one year, and current liabilities are expected to be settled within one year.

The Statements of Revenues, Expenses and Changes in Net Position present the revenues collected and earned and expenses paid and incurred during the fiscal year.

The Statements of Cash Flows report cash from operating, investing activities, and capital financing, and is presented using the direct method.

**Statements of Net Assets**

The Statements of Net Position present a fiscal snapshot of the Board's financial position as of September 30, 2014 and 2013. The statements provide information on current and noncurrent assets and liabilities. The data provides information on assets available to continue operations; amounts due to vendors and lending institutions; and the net position available for expenditure by the Board.

The following table summarizes the Board's assets, liabilities and net position at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 3,948,298	\$ 4,504,803	\$ 2,975,718
Non-current assets	2,679,081	1,387,200	1,899,395
Net capital assets	<u>1,494,642</u>	<u>1,523,750</u>	<u>1,587,547</u>
Total assets	<u>8,122,021</u>	<u>7,415,753</u>	<u>6,462,660</u>
Liabilities and net position:			
Current liabilities	-	14,668	27,721
Non-current liabilities	<u>144,533</u>	<u>134,192</u>	<u>121,936</u>
Total liabilities	<u>144,533</u>	<u>148,860</u>	<u>149,657</u>
Net position:			
Invested in capital assets - net of related depreciation	1,494,642	1,523,749	1,587,547
Unrestricted	<u>6,482,846</u>	<u>5,743,144</u>	<u>4,725,456</u>
Total net position	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2014**

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**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position represent the Board's results of operations. The condensed statements for the fiscal years ended September 30, 2014 and 2013, are presented as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 3,923,591	\$ 3,718,647	\$ 3,563,661
Operating expenses	<u>3,217,682</u>	<u>2,790,297</u>	<u>2,715,310</u>
Operating income	705,909	928,350	848,351
Non-operating revenues (expenses)	<u>4,686</u>	<u>25,540</u>	<u>28,837</u>
Changes in net position	710,595	953,890	877,188
Net position - beginning of year	<u>7,266,893</u>	<u>6,313,003</u>	<u>5,435,815</u>
Net position - end of year	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

Operating revenue consists primarily of pharmacists and pharmacy renewals for the years ended September 30, 2014 and 2013. The consistency of the operating revenue is attributable to the unchanged fees and no major industry changes during the 2014 fiscal year. Operating expenses are related to the operation of the Board, including personnel costs, investigative costs, professional fees, supplies, utilities, and depreciation. Operating expenses increased this year due to the Board adding two new investigator/inspector positions and the increase in the number of inspections conducted annually per the findings of the State Auditor's office. The Board recorded depreciation expense of \$91,175 and \$97,557, for the years ended September 30, 2014 and 2013 respectively. Non-operating revenue (expense) consists primarily of investment income and interest expense.

**Events Affecting Future Operations**

The Board entered into a three-year agreement in 2013 to re-design the web-based licensing information and online renewal system software, which will be completed in May 2016.

**Contacting the Board's Management**

This financial report is designed to provide our state, pharmacists, and creditors with a general overview of the Board's finances and demonstrate accountability of all funds received. Additional financial information may be obtained by contacting the Board at 919-246-1050.

## **Independent Auditor's Report**

To the Board of Directors  
North Carolina Board of Pharmacy  
Raleigh, North Carolina

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

We have audited the accompanying financial statements of the North Carolina Board of Pharmacy (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of September 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

### ***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 basic 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 basic financial statements based on our 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Pharmacy as of September 30, 2014 and 2013, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Pharmacy and do not purport to and do not present fairly the financial position of the State of North Carolina as of September 30, 2014, nor the changes in its financial position and its cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 2, 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.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
December 18, 2014



**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Net Position**  
**September 30, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,191,433	\$ 1,550,862
Investments, current portion	2,608,706	2,867,397
Accrued interest	5,857	11,538
Accounts receivable	158	-
Prepaid expenses	142,144	75,006
Total current assets	<u>3,948,298</u>	<u>4,504,803</u>
Non-current assets:		
Investments, less current portion	2,522,270	1,254,827
Note receivable - officer life insurance	156,811	132,373
Total non-current assets	<u>2,679,081</u>	<u>1,387,200</u>
Capital assets, net of depreciation	<u>1,494,642</u>	<u>1,523,750</u>
Total assets	<u>8,122,021</u>	<u>7,415,753</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	-	14,668
Total current liabilities	<u>-</u>	<u>14,668</u>
Noncurrent liabilities:		
Accrued vacation	144,533	134,192
Total noncurrent liabilities	<u>144,533</u>	<u>134,192</u>
Total liabilities	<u>144,533</u>	<u>148,860</u>
<b>NET POSITION:</b>		
Net investment in capital assets, net of related depreciation	1,494,642	1,523,749
Unrestricted	<u>6,482,846</u>	<u>5,743,144</u>
Total net position	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Pharmacist renewals	\$ 1,899,990	\$ 1,824,255
Pharmacist reciprocity	168,600	177,000
Pharmacist exam fees	65,400	61,000
Pharmacist/manager changes	23,975	27,160
Pharmacist reinstatements	21,060	18,360
Pharmacy renewals	612,800	630,400
Pharmacy permits	263,000	151,500
Pharmacy reinstatements	3,600	4,400
Technician renewals	389,460	370,710
Technician registrations	119,400	97,020
Technician reinstatements	36,660	31,200
Device and DME permits and renewals	222,300	230,100
Dispensing physician renewals and permits	63,750	65,100
Dispensing PA/NP renewals and permits	21,000	20,925
Pharmacy/pharmacists, lists and labels	11,026	8,578
Law books	20	14
Miscellaneous	1,550	925
Total operating revenues	<u>3,923,591</u>	<u>3,718,647</u>
Operating expenses:		
Salaries	1,582,092	1,404,360
Payroll taxes	113,667	100,493
Retirement contributions	94,304	83,526
Employee benefits	218,081	202,420
Unemployment claims	5,705	1,113
Educational expense	2,250	200
Board meeting and election expenses	16,391	14,994
Meetings per diem	8,900	10,550
Professional meetings	8,956	7,757
Inspection expense	102,831	59,752
Building dues and maintenance	27,340	21,944
Office utilities	9,341	8,566
Janitorial service	12,000	13,900
Telephone	19,747	14,948
Auto expense	40,814	30,142
Supplies	27,500	18,946
Books, dues, and subscriptions	10,436	9,849
Postage	5,079	6,648
Printing	4,650	5,996

**NORTH CAROLINA BOARD OF PHARMACY****Statements of Revenues, Expenses and Changes in Net Position (Continued)****Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating expenses (Continued):		
Equipment lease	\$ 13,479	\$ 13,160
Maintenance	23,473	17,507
Special meetings and projects	11,151	13,417
Insurance	7,739	7,489
Executive director's expense	9,893	12,736
Office staff travel	7,945	7,304
Miscellaneous	1,235	1,970
Consulting fees	152,479	68,394
Bank service charges	111,377	104,803
Depreciation	91,175	97,557
Legal fees	278,752	226,256
Pharmacist recovery network	189,000	194,000
Audit fee	9,900	9,600
Total operating expenses	<u>3,217,682</u>	<u>2,790,297</u>
Operating income	<u>705,909</u>	<u>928,350</u>
Non-operating revenue (expense):		
Net investment income	19,157	45,203
Unrealized and realized loss on investments	(14,546)	(28,155)
Gain on sale of fixed assets	75	8,492
Total non-operating revenue (expense)	<u>4,686</u>	<u>25,540</u>
Change in net position	710,595	953,890
Net position - beginning	<u>7,266,893</u>	<u>6,313,003</u>
Net position - ending	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Cash Flows**  
**Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fees	\$ 3,922,179	\$ 3,717,708
Other cash received	1,570	939
Cash payments to employees for service	(1,571,751)	(1,392,104)
Cash payments for operating expenses	(1,483,291)	(1,300,228)
Net cash provided by operating activities	<u>868,707</u>	<u>1,026,315</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(62,067)	(33,938)
Proceeds from sale of capital assets	-	8,670
Net cash used in capital and related financing activities	<u>(62,067)</u>	<u>(25,268)</u>
Cash flows from investing activities:		
Net purchases of investments	(1,165,805)	(48,124)
Issuance of note receivable	(24,438)	(24,438)
Net investment income	24,174	50,092
Net cash used in investing activities	<u>(1,166,069)</u>	<u>(22,470)</u>
Net increase (decrease) in cash	(359,429)	978,577
Cash - beginning of year	<u>1,550,862</u>	<u>572,285</u>
Cash - end of year	<u>\$ 1,191,433</u>	<u>\$ 1,550,862</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 705,909	\$ 928,350
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	91,175	97,557
Changes in assets and liabilities:		
Accounts receivable	158	-
Prepaid expenses	67,138	(389)
Accounts payable and accrued liabilities	14,668	3,723
Unemployment claims	-	9,330
Accrued vacation	(10,341)	(12,256)
Total adjustments	<u>162,798</u>	<u>97,965</u>
Net cash provided by operating activities	<u>\$ 868,707</u>	<u>\$ 1,026,315</u>

# **NORTH CAROLINA BOARD OF PHARMACY**

## **Notes to Financial Statements**

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### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Description of Organization**

The North Carolina Board of Pharmacy (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes (NCGS). The Board is composed of six members who are appointed by the Governor, five after their election by North Carolina pharmacists, and one directly as the Board's public member. The Board is established to maintain minimum standards for the practice of pharmacy within the State of North Carolina. The Board's operations are funded primarily through license renewal and permit registration fees. The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

#### **Basis of Presentation**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

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**

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 Accounting**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. The Board classifies its revenue and expenses as operating and non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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 renewal fees and permits. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing types of activities and are classified as non-operating in the financial statements.

# **NORTH CAROLINA BOARD OF PHARMACY**

## **Notes to Financial Statements**

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### **NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents**

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of reporting the statements of cash flows, the Board considers all highly liquid investments purchased with a maturity of three months or less as cash equivalents.

#### **Investments**

The Board reports investments at fair value as required by GASB Statement No. 31. Fair value is based on readily available published values. Money market funds invested through brokerage accounts are considered investments. Board investment policies are in line with the State Treasurer under N.C.G.S. §147-69.1 regarding investment options.

#### **Capital Assets**

Capital assets are recorded at cost. Property and equipment are capitalized if their life is expected to be greater than one year and their cost is \$500 or greater. Depreciation is computed over estimated useful asset lives ranging from three to thirty-nine years using the straight-line method.

#### **Vacation and Sick Leave**

Board employees may accumulate up to 320 hours of earned vacation which is fully vested when earned. On December 31, accrued vacation in excess of the limit is transferred and added to sick leave balances.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Unused sick leave is not paid upon termination of employment; therefore, no accrual for sick leave has been made.

#### **Net Position**

*Net Investment in Capital Assets* - Invested in capital assets, net of related debt represents the Board's total investment in 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.

*Unrestricted* - Unrestricted net position are not subject to externally imposed stipulations pertaining to their use. Unrestricted net position is used for the general operations of the Board and may be used at the discretion of the governing board to meet current expenses for any purpose. The Board has reserved \$200,000 of the unrestricted net position to cover potential litigation costs and \$180,000 to cover database upgrade costs.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

# NORTH CAROLINA BOARD OF PHARMACY

## Notes to Financial Statements

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### NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at September 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Traded certificates of deposit	\$4,137,265	\$3,766,949
Money market funds	993,711	355,275
	<u>\$5,130,976</u>	<u>\$4,122,224</u>

Investment income totaled \$37,113 and \$61,858, for the years ending September 30, 2014 and 2013 respectively. Related investment fees totaled \$17,956 and \$16,655, for the years ending September 30, 2014 and 2013, respectively.

*Interest rate risk:* Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. The Board minimizes this risk by investing only in certificates of deposit.

The anticipated maturities of the Board's fixed income investments as of September 30, 2014 were as follows:

0 - 2 years	\$3,317,484
3 + years	819,781
	<u>\$4,137,265</u>

The weighted average maturities of the certificates of deposit is 1.66 years at September 30, 2014.

*Credit Risk:* Credit risk is the risk that an issuer other counterparty to an investment will not fulfill its obligations. At September 30, 2014, the Board's money market funds and the traded certificates of deposit were unrated.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At September 30, 2014, the Board had cash deposits that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,030,729. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. Also, at September 30, 2014, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$4,130,976. The Board had multiple traded certificates of deposit investments held in a brokerage account as well as a trust account that were fully insured under FDIC at September 30, 2014.

### NOTE 3 - OFFICER LIFE INSURANCE

The Board owns a life insurance policy jointly with the Executive Director. The amounts recorded as note receivable - officer life insurance, represents the Board's equity in the policy, which totaled \$156,811 and \$132,373, at September 30, 2014 and 2013, respectively.

**NORTH CAROLINA BOARD OF PHARMACY**  
**Notes to Financial Statements**

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**NOTE 4 - ACCRUED VACATION**

Changes to accrued vacation are as follows:

	<b>2014</b>	2013
Beginning accrued vacation	<b>\$ 134,192</b>	\$ 121,936
Vacation earned	<b>103,067</b>	110,844
Vacation used	<b>(92,726)</b>	(98,588)
Ending accrued vacation	<b><u>\$ 144,533</u></b>	<u>\$ 134,192</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the Board for the year ended September 30, 2014, was as follows:

	Cost 9/30/2013	Additions	Disposals	Cost 9/30/2014
<b>Capital Assets:</b>				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	-	-	30,142
Furniture and Fixtures	241,562	-	-	241,562
Equipment	360,180	25,321	-	385,501
Vehicles	142,674	36,746	-	179,420
Total at historical cost	<u>2,675,117</u>	<u>62,067</u>	<u>-</u>	<u>2,737,184</u>
<b>Less accumulated depreciation for:</b>				
Building	\$ 499,388	\$ 48,820	\$ -	\$ 548,208
Building improvements	5,207	1,318	-	6,525
Furniture and Fixtures	220,410	6,551	-	226,961
Equipment	300,926	24,374	-	325,300
Vehicles	125,436	10,112	-	135,548
Total accumulated depreciation	<u>1,151,367</u>	<u>91,175</u>	<u>-</u>	<u>1,242,542</u>
Total capital assets, net	<u><u>\$1,523,750</u></u>	<u><u>\$ (29,108)</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,494,642</u></u>

Capital asset activity for the Board for the year ended September 30, 2013, was as follows:

	Cost 9/30/2012	Additions	Disposals	Cost 9/30/2013
<b>Capital Assets:</b>				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	-	-	30,142
Furniture and Fixtures	238,031	3,531	-	241,562
Equipment	344,731	30,407	14,958	360,180
Vehicles	175,028	-	32,354	142,674
Total at historical cost	<u>2,688,491</u>	<u>33,938</u>	<u>47,312</u>	<u>2,675,117</u>



**NORTH CAROLINA BOARD OF PHARMACY****Notes to Financial Statements**

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**NOTE 5 - CAPITAL ASSETS (Continued)**

Less accumulated depreciation for:

Building	\$ 450,568	\$ 48,820	\$ -	\$ 499,388
Building improvements	3,889	1,318	-	5,207
Furniture and Fixtures	210,509	9,901	-	220,410
Equipment	292,346	23,360	14,780	300,926
Vehicles	143,632	14,158	32,354	125,436
Total accumulated depreciation	<u>1,100,944</u>	<u>97,557</u>	<u>47,134</u>	<u>1,151,367</u>
Total capital assets, net	<u>\$1,587,547</u>	<u>\$ (63,619)</u>	<u>\$ 178</u>	<u>\$1,523,750</u>

**NOTE 6 - OPERATING LEASES**

The Board leases a copying machine under an agreement that calls for lease payments of \$6,044 per year ending in October 2014. During the prior fiscal year, the Board entered into an agreement to lease a mailing machine for quarterly payments of \$1,557 ending in May 2016.

Total equipment lease expense for the years ended September 30, 2014 and 2013, was \$13,479 and \$13,160, respectively. Future annual lease payment requirements are as follows:

<u>Years Ending September 30:</u>	
2015	\$ 6,228
2016	<u>4,152</u>
	<u>\$ 10,380</u>

**NOTE 7 - RETIREMENT PLANS**

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a 401(k) defined contribution plan. The Plan has been established to provide retirement benefits for employees of State boards or agencies who have not elected by resolution to cause their employees to be eligible to become members of the Teachers' and State Employees' Retirement System and for employees hired after July 1, 1983, by an electing board or agency. The Plan is administered by an administrative committee comprised of the Executive Directors of the participating boards and agencies, with authority to amend the Plan.

Participating employees must contribute at least six percent of their gross compensation and the Board matches those contributions 100%. The employees' contributions are immediately 100% vested, and employees vest in the Board's matching contributions 20% per Plan year until they are fully vested. For vesting purposes, an employee must complete 1,000 hours of service each Plan year.

Each participant's account is credited with their individual contributions, the Board's matching contributions, and Plan earnings and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings and account balances, as defined. Each participant is entitled to the benefit which can be provided from the participant's account.

## **NORTH CAROLINA BOARD OF PHARMACY**

### **Notes to Financial Statements**

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#### **NOTE 7 - RETIREMENT PLANS (Continued)**

Participants may retire with fully vested benefits at age 65, or at age 55 after completing five years of service. Upon termination of service, participants receive the vested value of their account in a lump-sum distribution.

Contributions to the Plan for the years ended September 30, 2014 and 2013, totaled \$235,162 and \$217,340, which consisted of \$94,304 and \$83,526 from the Board and \$140,858 and \$133,814 from employees, respectively.

#### **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. The Board protects itself from exposures to loss through the purchase of commercial liability insurance. Tort claims against Board members are self-insured under the authority of the State Tort Claims Act. In addition, the State provides an additional coverage to the Board under the State's public officers' and employees' liability insurance contract.

#### **NOTE 9 - COMMITMENTS**

On September 1, 2013, the Board entered into a three-year agreement with MiraComp Technologies, Inc., whereby MiraComp agrees to re-design the current NCBOP web-based licensing information and online renewal system software. NCBOP has agreed to pay quarterly installments of \$30,000 commencing September 1, 2013 and ending March 1, 2016, for these services.

#### **NOTE 10 - SUBSEQUENT EVENTS**

Management of the board evaluated subsequent events through December 18, 2014, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 70 hours at a cost of \$9,900.