

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2015

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, 2015. 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, 2015 and 2014. 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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current assets	\$ 5,707,463	\$ 3,948,298	\$ 4,504,803
Non-current assets	1,788,012	2,679,081	1,387,200
Net capital assets	1,513,425	1,494,642	1,523,750
Total assets	<u>9,008,900</u>	<u>8,122,021</u>	<u>7,415,753</u>
Liabilities and net position:			
Current liabilities	9,215	-	14,668
Non-current liabilities	152,318	144,533	134,192
Total liabilities	<u>161,533</u>	<u>144,533</u>	<u>148,860</u>
Net position:			
Invested in capital assets - net of related depreciation	1,513,425	1,494,642	1,523,749
Unrestricted	7,333,942	6,482,846	5,743,144
Total net position	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2015

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 following presents condensed financial information for Board operations for the fiscal years ended September 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 4,238,829	\$ 3,923,591	\$ 3,718,647
Operating expenses	3,381,149	3,217,682	2,790,297
Operating income	857,680	705,909	928,350
Non-operating revenues (expenses)	12,199	4,686	25,540
Changes in net position	869,879	710,595	953,890
Net position - beginning of year	7,977,488	7,266,893	6,313,003
Net position - end of year	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

Operating revenue consists primarily of pharmacists and pharmacy renewals for the years ended September 30, 2015 and 2014. The increase in operating revenue was caused mostly by Walgreens restructuring one of its parent organizations during the year that required new permitting registration. This resulted in 280 new permits being issued during the year ended September 30, 2015. 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 three new investigator/inspector positions. The Board recorded depreciation expense of \$91,766 and \$91,175, for the years ended September 30, 2015 and 2014 respectively. Non-operating revenue (expense) consists primarily of investment income and interest expense.

Events Affecting Future Operations

In February 2015, through a Letter of Agreement with National Association of Boards of Pharmacy, the 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 indicated the Board was 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.

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015, 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
January 7, 2016

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
Current assets:		
Cash	\$ 2,050,540	\$ 1,191,433
Investments, current portion	3,532,972	2,608,706
Accrued interest	5,648	5,857
Accounts receivable	291	158
Prepaid expenses	118,012	142,144
Total current assets	<u>5,707,463</u>	<u>3,948,298</u>
Non-current assets:		
Investments, less current portion	1,606,763	2,522,270
Note receivable - officer life insurance	181,249	156,811
Total non-current assets	<u>1,788,012</u>	<u>2,679,081</u>
Capital assets, net of depreciation	<u>1,513,425</u>	<u>1,494,642</u>
Total assets	<u>9,008,900</u>	<u>8,122,021</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	9,215	-
Total current liabilities	<u>9,215</u>	<u>-</u>
Noncurrent liabilities:		
Accrued vacation	152,318	144,533
Total noncurrent liabilities	<u>152,318</u>	<u>144,533</u>
Total liabilities	<u>161,533</u>	<u>144,533</u>
NET POSITION:		
Net investment in capital assets, net of related depreciation	1,513,425	1,494,642
Unrestricted	7,333,942	6,482,846
Total net position	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015 and 2014

	2015	2014
Operating revenues:		
Pharmacist renewals	\$ 1,959,930	\$ 1,899,990
Pharmacist reciprocity	234,000	168,600
Pharmacist exam fees	65,100	65,400
Pharmacist/manager changes	28,735	23,975
Pharmacist reinstatements	18,630	21,060
Pharmacy renewals	643,400	612,800
Pharmacy permits	372,000	263,000
Pharmacy reinstatements	5,600	3,600
Technician renewals	411,840	389,460
Technician registrations	112,500	119,400
Technician reinstatements	36,360	36,660
Device and DME permits and renewals	240,600	222,300
Dispensing physician renewals and permits	66,075	63,750
Dispensing PA/NP renewals and permits	22,275	21,000
Pharmacy/pharmacists, lists and labels	16,609	11,026
Law books	10	20
Miscellaneous	5,165	1,550
Total operating revenues	4,238,829	3,923,591
Operating expenses:		
Salaries	1,660,480	1,582,092
Payroll taxes	119,150	113,667
Retirement contributions	90,923	94,304
Employee benefits	218,674	218,081
Unemployment claims	5,830	5,705
Educational expense	1,812	2,250
Board meeting and election expenses	18,107	16,391
Meetings per diem	10,075	8,900
Professional meetings	11,034	8,956
Inspection expense	104,961	102,831
Building dues and maintenance	23,750	27,340
Office utilities	9,856	9,341
Janitorial service	13,948	12,000
Telephone	21,911	19,747
Auto expense	37,388	40,814
Supplies	25,259	27,500
Books, dues, and subscriptions	9,504	10,436
Postage	10,907	5,079
Printing	5,002	4,650

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating expenses (Continued):		
Equipment lease	\$ 10,433	\$ 13,479
Maintenance	19,354	23,473
Special meetings and projects	63,349	11,151
Insurance	8,393	7,739
Executive director's expense	7,928	9,893
Office staff travel	16,040	7,945
Miscellaneous	1,837	1,235
Consulting fees	162,150	152,479
Bank service charges	121,207	111,377
Depreciation	91,766	91,175
Legal fees	258,012	278,752
Pharmacist Recovery Network	209,500	189,000
Audit fee	10,200	9,900
Temporary office help	2,409	-
Total operating expenses	<u>3,381,149</u>	<u>3,217,682</u>
Operating income	<u>857,680</u>	<u>705,909</u>
Non-operating revenue (expense):		
Net investment income	13,703	19,157
Unrealized and realized loss on investments	(3,890)	(14,546)
Gain on sale of fixed assets	2,386	75
Total non-operating revenue (expense)	<u>12,199</u>	<u>4,686</u>
Change in net position	869,879	710,595
Net position - beginning	<u>7,977,488</u>	<u>7,266,893</u>
Net position - ending	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from fees	\$ 4,233,521	\$ 3,922,179
Other cash received	5,175	1,570
Cash payments to employees for service	(1,652,695)	(1,571,751)
Cash payments to suppliers for goods and services	(1,318,395)	(1,232,987)
Cash payments for other operating expenses	(279,547)	(250,304)
Net cash provided by operating activities	<u>988,059</u>	<u>868,707</u>
Cash flows from investing activities:		
Acquisition of capital assets	(111,648)	(62,067)
Proceeds from sale of capital assets	2,386	-
Purchase of investments	(1,221,778)	(2,244,455)
Proceeds from sales of investments	1,208,053	1,076,000
Issuance of note receivable	(24,438)	(24,438)
Net investment income	37,671	46,936
Realized and unrealized losses on investments	(19,198)	(20,112)
Net cash used in investing activities	<u>(128,952)</u>	<u>(1,228,136)</u>
Net increase (decrease) in cash	859,107	(359,429)
Cash - beginning of year	<u>1,191,433</u>	<u>1,550,862</u>
Cash - end of year	<u><u>\$ 2,050,540</u></u>	<u><u>\$ 1,191,433</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 857,680</u>	<u>\$ 705,909</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	91,766	91,175
Gain on sale of capital assets	(2,386)	-
Changes in assets and liabilities:		
Accounts receivable	(133)	158
Prepaid expenses	24,132	67,138
Accounts payable and accrued liabilities	9,215	14,668
Accrued vacation	7,785	(10,341)
Total adjustments	<u>130,379</u>	<u>162,798</u>
Net cash provided by operating activities	<u><u>\$ 988,059</u></u>	<u><u>\$ 868,707</u></u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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.

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.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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

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 \$2,000 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 - Investment 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, \$180,000 to cover database upgrade costs, \$1,000,000 to cover IT infrastructure and \$1,075,000 to cover the insurance deductible.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at September 30, 2015 and 2014, consisted of the following:

	2015	2014
Traded certificates of deposit	\$4,626,820	\$4,137,265
Money market funds	512,915	993,711
	<u>\$5,139,735</u>	<u>\$5,130,976</u>

Investment income totaled \$38,518 and \$37,113, for the years ending September 30, 2015 and 2014 respectively. Related investment fees totaled \$24,815 and \$17,956, for the years ending September 30, 2015 and 2014, 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, 2015 were as follows:

0 - 2 years	\$3,916,052
3 + years	710,768
	<u>\$4,626,820</u>

The weighted average maturities of the certificates of deposit are 1.13 years at September 30, 2015.

Credit Risk: Credit risk is the risk that an issuer other counterparty to an investment will not fulfill its obligations. At September 30, 2015, 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, 2015, the Board had cash deposits that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,426,198. 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, 2015, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$4,139,735. 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, 2015.

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 \$181,249 and \$156,811, at September 30, 2015 and 2014, respectively.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 4 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	2015	2014
Beginning accrued vacation	\$ 144,533	\$ 134,192
Vacation earned	121,845	103,067
Vacation used	(114,060)	(92,726)
Ending accrued vacation	<u>\$ 152,318</u>	<u>\$ 144,533</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended September 30, 2015, was as follows:

	Cost 9/30/2014	Additions	Disposals	Cost 9/30/2015
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	14,075	-	44,217
Furniture and fixtures	241,562	3,763	-	245,325
Equipment	385,501	38,692	(71,607)	352,586
Vehicles	179,420	55,118	(15,565)	218,973
Total at historical cost	<u>2,737,184</u>	<u>111,648</u>	<u>(87,172)</u>	<u>2,761,660</u>
Less accumulated depreciation for:				
Building	\$ 548,208	\$ 48,820	\$ -	\$ 597,028
Building improvements	6,525	1,925	-	8,450
Furniture and fixtures	226,961	4,924	-	231,885
Equipment	325,300	24,092	(70,508)	278,884
Vehicles	135,548	12,005	(15,565)	131,988
Total accumulated depreciation	<u>1,242,542</u>	<u>91,766</u>	<u>(86,073)</u>	<u>1,248,235</u>
Total capital assets, net	<u>\$1,494,642</u>	<u>\$ 19,882</u>	<u>\$ (1,099)</u>	<u>\$1,513,425</u>

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
Capital Assets:				
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>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

	Cost 9/30/2013	Additions	Disposals	Cost 9/30/2014
Less accumulated depreciation for:				
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	1,151,367	91,175	-	1,242,542
Total capital assets, net	<u>\$1,523,750</u>	<u>\$ (29,108)</u>	<u>\$ -</u>	<u>\$1,494,642</u>

NOTE 6 - OPERATING LEASES

The Board leases a copying machine under an agreement that calls for lease payments of \$3,348 per year ending in September 2018.

Future annual lease payment requirements are as follows:

<u>Years Ending September 30:</u>	
2016	\$ 3,348
2017	3,348
2018	3,348
	<u>\$ 10,044</u>

The Board also leases other equipment on an as needed basis. Total equipment lease expense for the years ended September 30, 2015 and 2014, was \$10,433 and \$13,479, respectively.

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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 7 - RETIREMENT PLANS (Continued)

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.

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, 2015 and 2014, totaled \$227,935 and \$235,162, which consisted of \$90,923 and \$94,304 from the Board and \$137,012 and \$140,858 from employees, respectively.

During the year ended September 30, 2015, the Board used \$8,237 of retirement forfeiture balance to offset retirement matching contributions.

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 North Carolina Board Of Pharmacy web-based licensing information and online renewal system software. The Board 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 January 7, 2016, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$10,500.