

**NAME OF NC STATE BOARD:**

**NC Board of Physical Therapy Examiners**

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**NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS – effective Oct 14, 2014**

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**Effective – Mar 20, 2014**

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1. the address of the board, the names of its members and officers. See attached
2. the number of persons who applied to the board for examination. (PT & PTA) 511
3. the number of who were refused examination. 0
4. the number who took the examination. (PT & PTA) 457
5. the number to whom initial licenses were issued(by exam) 438
6. the number who applied for license by reciprocity or comity. (Endorsement PT & PTA) 533
7. the number who were granted licenses by reciprocity or comity. (Endorsement PT & PTA) 486
7a the number of official complaints received involving licensed and unlicensed activities. <ul style="list-style-type: none"> <li>• <u>Formal complaints using Board's form – 8</u></li> <li>• <u>Written or email complaints (including failure to renew by deadline) – 43</u></li> <li>• <u>Telephone - 0</u></li> </ul>
7b the number of disciplinary actions taken against licensees, or other actions taken against non-licensees, including injunctive relief. <ul style="list-style-type: none"> <li>• <u>Disciplinary Actions – 16</u></li> <li>• <u>Advisory Letters (not disciplinary action ) – 17</u></li> <li>• <u>Referrals to District Attorney, OIG, or other licensing Board - 0</u></li> </ul>
8. the number of licenses suspended or revoked – 1 ( <i>surrendered</i> )
9. the number of licenses terminated for any reason other than failure to pay the required renewal fee. – 0
10. the substance of any anticipated request by the occupational licensing board to the General Assembly to amend statutes related to the occupational licensing board. – See Attachment 1
11. the substance of any anticipated change in rules adopted by the occupational licensing board or the substance of any anticipated adoption of new rules by the occupational licensing board. – See Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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HOUSE BILL 828

Short Title: Update Physical Therapy Practice Act.

(Public)

Sponsors: Representatives Fulghum, Hollo, Faircloth, and Murry (Primary Sponsors).

*For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.*

Referred to: Health and Human Services.

April 11, 2013

A BILL TO BE ENTITLED

AN ACT UPDATING THE PHYSICAL THERAPY PRACTICE ACT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 90-270.25 reads as rewritten:

**"§ 90-270.25. Board of Examiners.**

The North Carolina Board of Physical Therapy Examiners is hereby created. The Board shall consist of eight members, including one medical doctor licensed and residing in North Carolina, four physical therapists, two physical therapist assistants, and one public member. The public member shall be appointed by the Governor and shall be a person who is not licensed under Chapter 90 who shall represent the interest of the public at large. The medical doctor, physical therapists, and physical therapists assistants shall be appointed by the Governor from a list compiled by the North Carolina Physical Therapy Association, Inc., following the use of a nomination procedure made available to all physical therapists and physical therapist assistants licensed and residing in North Carolina. In soliciting nominations and compiling its list, the Association will give consideration to geographic distribution, practice setting (institution, independent, academic, etc.), and other factors that will promote representation of all aspects of physical therapy practice on the Board. The records of the operation of the nomination procedure shall be filed with the Board, to be available for a period of six months following nomination, for reasonable inspection by any licensed practitioner. Each physical therapist member of the Board shall be licensed and reside in this State; provided that the physical therapist shall have not less than three years' experience as a physical therapist immediately preceding appointment and shall be actively engaged in the practice of physical therapy in North Carolina during incumbency. Each physical therapist assistant member shall be licensed and reside in this State; provided that the physical therapist assistant shall have not less than three years' experience as a physical therapist assistant immediately preceding appointment and shall be actively engaged in practice as a physical therapist assistant in North Carolina during incumbency.

Members shall be appointed to serve three-year terms, or until their successors are appointed, to commence on January 1 in respective years. In the event that a member of the Board for any reason shall become ineligible to or cannot complete a term of office, another appointment shall be made by the Governor, in accordance with the procedure stated above, to fill the remainder of the term. No member may serve for more than two successive three-year terms.

The Board may immediately remove a member from the Board if the member is found by the remainder of the Board to have (i) ceased to meet the qualifications specified in this section,

(ii) failed to attend three successive Board meetings without just cause, (iii) violated any of the provisions of this Article or rules adopted by the Board, or (iv) otherwise engaged in immoral, dishonorable, unprofessional, or unethical conduct. To implement removal for immoral, dishonorable, unprofessional, or unethical conduct, the Board shall further find that the relevant conduct has compromised the integrity of the Board.

The Board each year shall designate one of its physical therapist members as chairman and one member as secretary-treasurer. Each member of the Board shall receive such per diem compensation and reimbursement for travel and subsistence as shall be set for licensing boards generally."

**SECTION 2. G.S. 90-270.26 reads as rewritten:**

**"§ 90-270.26. Powers of the Board.**

The Board shall have the following general powers and duties:

- (1) Examine and determine the qualifications and fitness of applicants for a license to practice physical therapy in this ~~State~~State.
- (2) Issue, renew, deny, suspend, or revoke licenses to practice physical therapy in this State, or reprimand or otherwise discipline licensed physical therapists and physical therapist ~~assistants~~assistants.
- (3) Conduct confidential investigations for the purpose of determining whether violations of this Article or grounds for disciplining licensed physical therapists or physical therapist assistants ~~exist~~exist. Investigation records shall not be considered public records under Chapter 132 of the General Statutes. However, hearing notices, statements of charges, and any materials received and admitted into evidence at Board hearings shall be public records, regardless of whether the notices, statements, or materials are developed or compiled as a result of an investigation.
- (3a) Establish mechanisms for assessing the continuing competence of licensed physical therapists or physical therapist assistants to engage in the practice of physical therapy, including approving rules requiring licensees to periodically, or in response to complaints or incident reports, submit to the Board: (i) evidence of continuing education experiences; (ii) evidence of minimum standard accomplishments; or (iii) evidence of compliance with other Board-approved measures, audits, or evaluations; and specify remedial actions if necessary or desirable to obtain license renewal or ~~reinstatement~~reinstatement.
- (4) Employ such professional, clerical or special personnel necessary to carry out the provisions of this Article, and may purchase or rent necessary office space, equipment and ~~supplies~~supplies.
- (5) Conduct administrative hearings in accordance with Chapter 150B of the General Statutes when a "contested case" as defined in G.S. 150B-2(2) arises under this ~~Article~~Article.
- (6) Appoint from its own membership one or more members to act as representatives of the Board at any meeting where such representation is deemed ~~desirable~~desirable.
- (7) Establish reasonable fees for applications for examination, certificates of licensure and renewal, and other services provided by the ~~Board~~Board.
- (8) Adopt, amend, or repeal any rules or regulations necessary to carry out the purposes of this Article and the duties and responsibilities of the ~~Board~~Board.
- (9) Request the Department of Justice to provide criminal background checks pursuant to G.S. 90-270.29.1 in connection with licensure or investigative matters.

- (10) Issue subpoenas to compel the attendance of any witness or the production of any documents relative to investigations or Board proceedings.
- (11) Establish or participate in programs for aiding in the recovery and rehabilitation of physical therapists and physical therapist assistants who experience chemical or alcohol addiction or abuse or mental health problems.
- (12) Acquire, hold, rent, encumber, alienate, and otherwise deal with real property in the same manner as a private person or corporation, subject only to approval of the Governor and the Council of State. Collateral pledged by the Board for an encumbrance is limited to the assets, income, and revenues of the Board.

The powers and duties enumerated above are granted for the purpose of enabling the Board to safeguard the public health, safety and welfare against unqualified or incompetent practitioners of physical therapy, and are to be liberally construed to accomplish this objective. In instances where the Board makes a decision to discipline physical therapists or physical therapist assistants under powers set out by any of subsections (2) through (5) of this section, it may as part of its decision charge the reasonable costs of investigation and hearing to the person disciplined."



SECTION 3. Article 18B of Chapter 90 of the General Statutes is amended by adding the following new section to read:

**"§ 90-270.29.1. Criminal history record checks of applicants for licensure.**

(a) All applicants for licensure shall consent to a criminal history record check. Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant. The Board shall ensure that the State and national criminal history of an applicant is checked. The Board shall be responsible for providing to the North Carolina Department of Justice the fingerprints of the applicant to be checked, a form signed by the applicant consenting to the criminal history record check and the use of fingerprints and other identifying information required by the State or National Repositories, and any additional information required by the Department of Justice. The Board shall keep all information obtained pursuant to this section confidential. For purposes of this section, a "criminal history record check" is a report resulting from a request made by the Board to the North Carolina Department of Justice for a history of conviction of a crime, whether a misdemeanor or felony, that bears on an applicant's fitness for licensure to practice physical therapy.

(b) The cost of the criminal history record check and the fingerprinting shall be borne by the applicant.

(c) If an applicant's criminal history record check reveals one or more criminal convictions, the conviction shall not automatically bar licensure. The Board shall consider all of the following factors regarding the conviction:

- (1) The level of seriousness of the crime.
- (2) The date of the crime.
- (3) The age of the person at the time of the conviction.
- (4) The circumstances surrounding the commission of the crime, if known.
- (5) The nexus between the criminal conduct of the person and the job duties of the position to be filled.
- (6) The person's prison, jail, probation, parole, rehabilitation, and employment records since the date the crime was committed.

If, after reviewing the factors, the Board determines that any of the grounds set forth in the subdivisions of G.S. 90-270.36 exist, the Board may deny licensure of the applicant. The Board may disclose to the applicant information contained in the criminal history record check that is relevant to the denial. The Board shall not provide a copy of the criminal history record check to the applicant. The applicant shall have the right to appear before the Board to appeal the

Board's decision. However, an appearance before the full Board shall constitute an exhaustion of administrative remedies in accordance with Chapter 150B of the General Statutes.

(d) The Board, its officers, and employees, acting in good faith and in compliance with this section, shall be immune from civil liability for denying licensure to an applicant based on information provided in the applicant's criminal history record check."

**SECTION 4.** G.S. 90-270.30 reads as rewritten:

**"§ 90-270.30. Licensure of foreign-trained physical therapists.**

Any person who has been trained as a physical therapist or physical therapist assistant in a foreign ~~country~~ ~~[country]~~ country and desires to be licensed under this Article and who:

- (1) Is of good moral character;
- (2) Holds a diploma from an educational program for physical therapists or physical therapist assistants approved by the Board;
- (3) Submits documentary evidence to the Board of completion of a course of instruction substantially equivalent to that obtained by an applicant for licensure under G.S. 90-270.29; and
- (4) Demonstrates satisfactory proof of proficiency in the English language;

may make application on a form furnished by the Board for examination as a foreign-trained physical ~~therapist~~ therapist or physical therapist assistant. At the time of making such application, the applicant shall pay to the secretary-treasurer of the Board the fee prescribed by the Board, no portion of which shall be returned."

**SECTION 5.** G.S. 90-270.34(a) is amended by adding the following new subdivisions to read:

"(a) The following persons shall be permitted to practice physical therapy or assist in the practice in this State without obtaining a license under this Article upon the terms and conditions specified herein:

- ...
- (7) Physical therapists or physical therapist assistants who are licensed in another jurisdiction of the United States or credentialed in another country, if that person by contract or employment is providing physical therapy to individuals affiliated with or employed by established athletic teams, athletic organizations, or performing arts companies temporarily practicing, competing, or performing in this State for no more than 60 days in a calendar year;
  - (8) Physical therapists or physical therapist assistants licensed in another jurisdiction of the United States who enter this State to provide physical therapy during a declared local, State, or national disaster or emergency. The exemption applies no longer than the standard annual renewal time in the State. To be eligible for the exemption, the licensee shall notify the Board of the licensee's intent to practice physical therapy pursuant to this subdivision.
  - (9) Physical therapists or physical therapist assistants licensed in another jurisdiction of the United States who are forced to leave their residence or place of employment due to a declared local, State, or national disaster or emergency, and, due to such displacement, need to practice physical therapy. The exemption applies no longer than the standard annual renewal time but may be renewed by the Board for additional periods. To be eligible for the exemption, the licensee shall notify the Board of the licensee's intent to practice physical therapy pursuant to this subdivision."

SECTION 6. Article 4 of Chapter 114 of the General Statutes is amended by adding the following new section to read:

**"§ 114-19.33. Criminal history record checks of applicants for licensure as physical therapists, physical therapist assistants, or subjects of investigation.**

The Department of Justice may provide to the North Carolina Board of Physical Therapy Examiners a criminal history record check from the State and National Repositories of Criminal Histories for applicants for licensure or subjects of investigation by the Board. Along with a request for criminal history records, the Board shall provide to the Department of Justice the fingerprints of the applicant or subject, a form signed by the applicant or subject consenting to the criminal history record check and use of the fingerprints and other identifying information required by the Repositories, and any additional information required by the Department. The fingerprints shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Board shall keep all information obtained pursuant to this section confidential. The Department of Justice may charge a fee to offset the cost incurred by the Department of Justice to conduct a criminal history record check under this section, but the fee shall not exceed the actual cost of locating, editing, researching, and retrieving the information."

SECTION 7. This act is effective when it becomes law.

**Proposed rules to be considered at RRC Meeting on Jan 15, 2015**

**Reason for Proposed Action:** *In response to legislative changes in the North Carolina Physical Therapy Practice Act and recommendations from the general public and licensees, the Board of Physical Therapy Examiners is proposing the following adoptions and amendments for the following rules in Title 21 NCAC 48:*

**21 NCAC 48A .0103** - Paragraph (b) requires nominees for the physical therapist and physical therapist assistant positions to attest that they meet the qualifications specified in G.S. 90-270.25 and Paragraph (c) clarifies that each physical therapist and physical therapist assistant shall be employed in a physical therapy related position for at least 1,000 hours annually.

**21 NCAC 48B .0104** - This rule requires physical therapists or physical therapist assistants who would like to practice in NC due to a disaster or emergency in NC or would like to obtain a license in NC secondary to a disaster or emergency in their home state complete an application for exemption that has been approved by the Board.

**21 NCAC 48C .0102** - The amendment in Paragraph (k) clarifies that the current rule only applies to patients who are being treated by a physical therapist assistant or physical therapy aide. Paragraph (n) clarifies that a physical therapist must provide copies of a patient's treatment records upon request by the patient or the patient's designee. Other amendments in the rule are technical and grammatical.

**21 NCAC 48C .0104** - Paragraph (a) identifies terms that are used interchangeably with dry needling and defines the technique of dry needling; Paragraph (b) states educational requirements for a physical therapist to practice dry needling in NC; Paragraph (c) clarifies that dry needling cannot be performed by a physical therapist assistant or physical therapy aide; Paragraph(d) requires the Board to maintain a list of programs that have been approved to provide dry needling education.

**21 NCAC 48D .0109** - Paragraph (c) clarifies that there is a limit of the number of times an applicant is allowed to take the exam and that number will be determined by the administrator of the exam (Federation of State Boards of Physical Therapy).

**21 NCAC 48E .0110** - Paragraphs (c) (1) & (2) clarifies the requirements that a Foreign Trained Physical Therapist (FTPT) applicant by examination must meet the standards of the Federation's current Coursework Tool (CWT). Paragraph (d)(1) clarifies that the FTPT applicant must meet the English language proficiency requirements as demonstrated by a passing score on the Test of English as a Foreign Language (TOEFL) as defined by the Federation. Other amendments are technical for clarification and/or grammatical.

**21 NCAC 48E .0111** - This rule clarifies the requirements for a FTPT applicant by endorsement of licensure in another state. The requirements are essentially the same requirements that were previously adopted in 1985 for the Foreign Trained Physical Therapist.

**21 NCAC 48E .0112** - Paragraph (a) defines a physical therapist assistant program located outside of the United States. Paragraph (b) will clarify that all documents must be provided in English or accompanied by an English translation. Paragraph (c) clarifies the education requirements of a Foreign Trained Physical Therapist Assistant must be substantially equivalent to the education of a Physical Therapy Assistant graduate from an accredited program in the United States. Paragraph (d) requires the applicant's education to be evaluated by a credentialing agency approved by the Board and Paragraph (e) clarifies the English language requirements.

**21 NCAC 48E .0113** - Paragraph (a) clarifies that an applicant shall be required to consent to a criminal history record check and will be responsible for paying for it and Paragraph (b) authorizes an appeals process if an applicant is denied licensure for failing to consent to a criminal history check.

**21 NCAC 48G .0109** - Amendments to sub-paragraph (a)(2) clarifies that, for a graduate course, one-semester hour earns fifteen (15) points and that a transcript from the academic institution is required as

*proof; sub-paragraph (a)(5) allows for study groups to meet electronically; (g)(1) defines full-time clinical practice as 1,750 hours and (g)(2) defines part-time clinical practice at least 1,000 hours, but less than 1,750 hours.*

***21 NCAC 48G .0110** - Paragraphs (c)(1) & (2) clarifies the requirements that a Foreign Trained Physical Therapist (FTPT) applicant by examination must meet the standards of the Federation's current Coursework Tool (CWT). Paragraph (d)(1) clarifies that the FTPT applicant must meet the English language proficiency requirements as demonstrated by a passing score on the Test of English as a Foreign Language (TOEFL) as defined by the Federation. Other amendments are technical for clarification and/or grammatical.*

***21 NCAC 48G .0504** - Paragraph (e) clarifies that materials obtained by the Board during the course of an investigation are considered confidential; however, copies may be provided to the licensee's attorney with conditions.*

***21 NCAC 48G .0512** - Paragraph (a) expands the subpoena power of the Board to include investigations and Board proceedings. Additionally, it gives the Board the discretion to deny the issuance of any subpoena that could be construed as harassment or intimidation of a witness and Paragraph (b) clarifies that subpoenas for production of documents must provide a particularized description. Other amendments are technical and provide clarification of the rule.*

***21 NCAC 48G .0601** - Amendments to sub-paragraph (a)(26) clarifies that it also includes the episode of care. Other amendments are technical and provide clarification of the rule.*

***21 NCAC 48G .0701** - The adoption of this rule defines the following: Paragraph (a) defines "impairment"; Paragraph (b) defines "participant"; and Paragraph (c) defines "program".*

***21 NCAC 48G .0702** - Paragraph (a) clarifies that a licensee must be referred by the Board before he/she may participate in a Program; Paragraph (b) provides authority for the Board to contract with other health care licensing Boards to provide Programs; and Paragraph (c) clarifies that a licensee who is enrolled in the Program must comply with its requirements and may be subject to disciplinary for failing to do so.*

***21 NCAC 48G .0703** - This rule sets the standards when information is received by the Board suspecting the impairment of a licensee.*

***21 NCAC 48G .0704** - This rule sets the standards for confidentiality.*

***21 NCAC 48G .0705** - The rule sets the standards for when reports are to be given to the Board when a licensee is investigated.*

***21 NCAC 48G .0706** - This rule sets the program standards for when referrals of licensees are received from the Board.*



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October 29, 2014

Board of Directors  
North Carolina Board of Physical Therapy Examiners

We have audited the financial statements of the North Carolina Board of Physical Therapy Examiners for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Carolina Board of Physical Therapy Examiners are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Board's financial statements were:

Management's estimate of the depreciable lives of capital assets (i.e. equipment and computers). We evaluated the key factors and assumptions used to develop the useful lives and determined that they were reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 29, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the North Carolina Board of Physical Therapy Examiners and is not intended to be and should not be used by anyone other than these specified parties.

Board of Directors  
North Carolina Board of Physical Therapy Examiners  
Page 3

*Garrett, Dodd & Associates, Ltd*

**GARRETT, DODD & ASSOCIATES, LTD.**

Durham, North Carolina



**NORTH CAROLINA BOARD OF  
PHYSICAL THERAPY EXAMINERS**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS

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JUNE 30, 2014

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Independent Auditors' Report

Members of the Board  
North Carolina Board of Physical Therapy Examiners  
Durham, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina Board of Physical Therapy Examiners as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Carolina Board of Physical Therapy Examiners as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note A, the financial statements present only the North Carolina Board of Physical Therapy Examiners and do not purport to, and do not present fairly the financial position of the State of North Carolina, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Harrell, Dodd & Associates, Ltd.*

Durham, North Carolina  
October 29, 2014

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
JUNE 30, 2014

ASSETS

Current Assets:

Cash and cash equivalents (Note B)	\$ 1,951,425
Certificates of deposit (Note B)	<u>442,572</u>
Total Current Assets	2,393,997

Noncurrent Assets:

Capital assets (Note C)	
Furniture	42,604
Equipment	11,517
Computer equipment	<u>133,527</u>
	187,648
Less accumulated depreciation	<u>124,511</u>
	63,137
Other Assets	<u>750</u>
Total Noncurrent Assets	<u>63,887</u>
Total Assets	<u>2,457,884</u>

LIABILITIES

Current Liabilities:

Accounts payable - trade	20,602
Accrued vacation (Note D)	<u>36,627</u>
Total Current Liabilities	57,229

Long-Term Liabilities:

Accrued vacation (Note D)	<u>39,437</u>
Total Liabilities	<u>96,666</u>

DEFERRED INFLOWS OF RESOURCES:

Unearned revenue	<u>43,950</u>
Total Liabilities and Deferred Inflows	140,616

NET POSITION

Invested in capital assets	63,137
Unrestricted (Note G)	<u>2,254,131</u>
Total Net Assets	<u><u>\$2,317,268</u></u>

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Charges for services:	
Renewal fees	\$ 989,600
License, revival, transfer and other fees	205,400
Disciplinary reimbursements	10,518
Other revenues	<u>7,545</u>
Total operating revenues	1,213,063

OPERATING EXPENSES

Staff salaries	399,305
Payroll tax expense	29,726
Retirement contributions (Note E)	24,277
Board members and other travel	
per diem, subsistence and registration	52,544
Legal and investigation	87,728
Telephone	12,368
Postage	9,442
Newsletter and directory printing	8,489
Office supplies	17,151
Computer supplies and support	59,273
Professional fees	82,000
Group insurance	96,164
Insurance	1,813
Membership dues	3,645
Credit card transaction fees	29,429
Equipment rent (Note F)	17,376
Rent (Note F)	38,058
Utilities and other office expenses	8,778
Temporary labor	467
Chemical impairment program costs	3,500
Depreciation	<u>7,760</u>
Total operating expenses	<u>989,293</u>
Operating income	\$ 223,770

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2014

NONOPERATING REVENUES (EXPENSES):

Interest income	\$ 7,827
Loss on sale of equipment	<u>(765)</u>
	<u>7,062</u>
 Change in net position	 230,832
 Net position June 30, 2013	 <u>2,086,436</u>
 Net position June 30, 2014	 <u>\$ 2,317,268</u>

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
JUNE 30, 2014

Cash flows from operating activities:	
Cash received from licensees and applicants	\$1,195,000
Cash received from others	18,063
Cash paid to employees and professionals	(557,505)
Cash paid to suppliers	<u>(392,634)</u>
Net cash flows from operating activities	262,924
Cash flows from capital and related financing activities	
Acquisition of capital assets	(46,754)
Cash flows from investing activities	
Receipt of interest income	7,827
Increase in certificates of deposit	<u>(1,749)</u>
	<u>6,078</u>
Net change in cash equivalents	222,248
Cash and cash equivalents - June 30, 2013	<u>1,729,177</u>
Cash and cash equivalents - June 30, 2014	<u>\$ 1,951,425</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$223,770
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation	7,760
Changes in assets and liabilities:	
Decrease in other assets	610
Increase in account payable - trade	20,602
Decrease in payroll liabilities	(2,263)
Increase in accrued vacation	11,995
Increase in unearned revenue	<u>450</u>
Net cash provided by operating activities	<u>\$ 262,924</u>

See Independent Auditors' Report and Notes to Financial Statements



NORTH CAROLINA BOARD OF PHYSICAL  
THERAPY EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Board was established by the North Carolina General Assembly as an occupational licensing board to maintain standards for the practice of physical therapy in North Carolina.

Financial Reporting Entity

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

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

Basis of Presentation

The statement of net assets reflects all assets including long-term assets, and all obligations including long-term obligations.

The statement of revenues, expenses and changes in fund net assets presents a comparison between direct expenses and program revenues of the Board. Primary revenues include fees and other charges paid by the recipients of services.

NORTH CAROLINA BOARD OF PHYSICAL  
THERAPY EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the Board's accounts are maintained during the year using the modified accrual basis of accounting. However, at year-end, financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash flows take place.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Board considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Deferred Inflows of Resources

Unearned revenues consist principally of license fees paid by applicants prior to taking exams.

Capital Assets

Capital assets are defined by the Board as assets with an initial individual cost of \$500 or more and an estimated useful life of more than two years. Purchased assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are expensed.

NORTH CAROLINA BOARD OF PHYSICAL  
THERAPY EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A (CONTINUED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10 years
Computer equipment	3 years

Accrued Vacation

The vacation leave policy of the Board provides for accumulation of earned vacation leave with such leave being fully vested when earned. Because vacation leave is payable to employees at termination, a liability for the outstanding balances has been recorded. That portion of accrued vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements (first-in, first-out method of using accumulated time).

Net Position

Net positions in the financial statements are classified as invested in capital assets and unrestricted.

NOTE B DEPOSITS AND INVESTMENTS

The Board maintains cash balances, money market accounts and certificates of deposit at several financial institutions in Durham, North Carolina. Certificates of deposit have a book and market value of \$442,572 at June 30, 2014. Certificates of deposit have varying interest rates and staggered maturities over the next 12 months.

NORTH CAROLINA BOARD OF PHYSICAL  
THERAPY EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE B (CONTINUED)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, the Board's deposits of \$2,393,997 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized - \$568,589

NOTE C CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2014 were as follows:

	ASSET			
	June 30, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2014</u>
Furniture	\$ 39,697	\$ 2,907		\$ 42,604
Equipment	11,517			11,517
Computer Equipment	<u>103,835</u>	<u>43,847</u>	<u>\$ 14,155</u>	<u>133,527</u>
	<u>\$155,049</u>	<u>\$46,754</u>	<u>\$ 14,155</u>	<u>\$187,648</u>

NORTH CAROLINA BOARD OF PHYSICAL  
THERAPY EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE C (CONTINUED)

DEPRECIATION

	June 30, <u>2013</u>	Current <u>Expense</u>	<u>Retirements</u>	June 30, <u>2014</u>
Furniture	\$ 29,866	\$ 1,661		\$ 31,547
Equipment	10,674	245		10,919
Computer Equipment	<u>89,581</u>	<u>5,854</u>	<u>\$13,390</u>	<u>82,045</u>
	<u>\$ 130,141</u>	<u>\$ 7,760</u>	<u>\$13,390</u>	<u>\$124,511</u>

NOTE D ACCRUED VACATION

The changes in accrued vacation are as follows:

	June 30, <u>2013</u>	<u>Additions</u>	<u>Used</u>	June 30, <u>2014</u>
Amount	\$64,069	\$52,255	\$40,260	\$76,064

The amount representing the current portion of vacation leave is \$36,627.

NOTE E RETIREMENT PLAN

The North Carolina Licensing Boards Retirement Plan is a multiple-employer, cost-sharing defined contribution plan. Participating employees must contribute 6% of their gross pay and the board matches those contributions 100%. Employee's contributions are 100% vested; the Board's matching contributions are 100% vested after 5 years of credited service. The Board contributed a 6% matching share (\$24,277) on behalf of its employees.

NORTH CAROLINA BOARD OF PHYSICAL  
THERAPY EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE F LEASE OBLIGATIONS

The Board leases office space and office equipment through operating leases under which future minimum rentals are as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2015	38,058
2016	40,543
2017	41,040
2018	41,040
Thereafter	6,840
	<u>\$167,521</u>

NOTE G NET ASSETS

The Board has assigned portions of its unrestricted net assets for the following purposes:

Designated	
Information technology reserve	\$ 100,000
Replacement of property & equipment	100,000
Continuing education	50,000
Possible future building acquisition	635,000
Unanticipated legal costs	<u>350,000</u>
	<u>1,235,000</u>
Undesignated	<u>1,019,131</u>
	<u>\$2,254,131</u>

NOTE H SUBSEQUENT EVENTS

The Board has evaluated subsequent events through October 29, 2014, the date which the financial statements were available to be issued.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To The Board of Directors  
North Carolina Board of Physical Therapy Examiners  
Durham, North Carolina

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina Board of Physical Therapy Examiners (Board) as of and for the year ended June 30, 2014 and the related notes to the financial statements and have issued our report thereon dated October 29, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material* weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**GARRETT, DODD & ASSOCIATES, LTD.**

*Garrett, Dodd & Associates, Ltd.*

Durham, North Carolina  
October 29, 2014