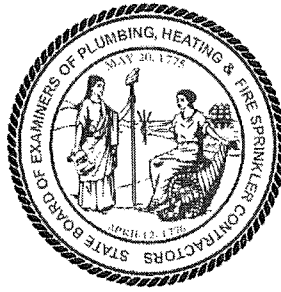


## BOARD MEMBERS

W. H. EUBANKS      Chairman  
T. G. PROFFIT      Vice Chairman  
P. K. SELBY      Secretary/Treasurer  
J. N. ROYAL  
W. H. SULLIVAN III  
J. R. DUNN



## BOARD OFFICE

1109 Dresser Ct.  
Raleigh, NC 27609  
Phone: 919-875-3612  
Fax: 919-875-3616  
E-Mail: [information@nclicensing.org](mailto:information@nclicensing.org)  
D. L. DAWSON      Executive Director

# State Board of Examiners of Plumbing, Heating & Fire Sprinkler Contractors Raleigh, N.C.

- To Governor Pat McCrory
- To the North Carolina Joint Select Regulatory Reform Committee,
- To the North Carolina Secretary of State,
- To the North Carolina Attorney General,
- To the Office of State Budget and Management

## ANNUAL REPORT STATE BOARD OF EXAMINERS OF PLUMBING, HEATING & FIRE SPRINKLER CONTRACTORS Filed August 23, 2013 pursuant to G.S. 87-20 and G.S. 93

1. State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors, 1109 Dresser Ct., Raleigh, North Carolina 27609

### a. Members of the Board:

William H. Eubanks, Wilmington, NC  
Thomas G. Proffit, Lenoir, NC  
Patricia K. Selby, Wake Forest, NC  
John N. Royal, Raleigh, NC  
Ronald J. Long, Gastonia, NC  
William H. Sullivan, III, Greensboro, NC  
Jeffrey R. Dunn, Dunn, NC

### b. Officers of the Board:

Chairman	William H. Eubanks
Vice Chairman	Thomas G. Proffit
Secretary/Treasurer	Patricia K. Selby

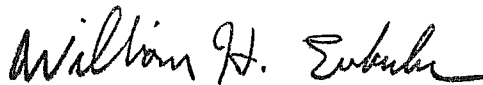
2. The number of persons who applied to the board for examination .....	643
3. The number who were refused examination .....	9
4. The number who took the examination .....	459
5. The number to whom initial licenses were issued .....	424*
<i>*This number includes individuals who were issued license without examination</i>	
6. The number who applied for license by reciprocity or comity .....	0
7. The numbers who were granted licenses by reciprocity or comity .....	0
a. The number of official complaints received involving licensed and unlicensed activities .....	728
b. The number of disciplinary actions taken against licensees, or other actions taken against non-licensees, including injunctive relief:	
i. Disciplinary action against Licensees .....	238
ii. Actions against non-licensees, including injunctive relief .....	304
8. The number of licenses suspended or revoked .....	
1. Suspensions .....	21
2. Revoked .....	7
9. The number of licenses terminated for any reason other than failure to pay the required renewal fee .....	7

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 ..... None

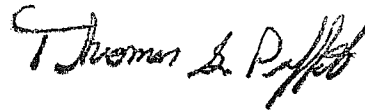
11. The substance of any anticipated changes in rules adopted by the occupational licensing board or the substance of any anticipated adoption of new rules by the occupational licensing board ..... Attached

COPY OF ANNUAL FINANCIAL REPORT IS ATTACHED.

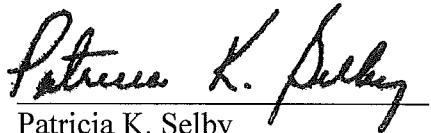
Respectfully submitted, this the 23<sup>rd</sup> day of August, 2013,



William H. Eubanks  
Chairman



Thomas G. Proffit  
Vice Chairman



Patricia K. Selby  
Secretary/Treasurer



Dale L. Dawson  
Executive Director

Based on the approval of HB 662 (below), the Board will be submitting proposed rules changes to create and amend Title 21, Chapter 50 of the North Carolina Administrative Code to implement the approved legislation.

**GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2013 SESSION  
LAW 2013-332 HOUSE BILL 662**

**\*H662-v-5\***

AN ACT PROVIDING FOR ISSUANCE OF A LIMITED PLUMBING CONTRACTOR LICENSE TO INSTALL AND SERVICE BACKFLOW PREVENTION ASSEMBLIES AND TO ALLOW COURTS TO AWARD THE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND FIRE SPRINKLER CONTRACTORS REASONABLE COSTS OF INVESTIGATION AND PROSECUTION OF VIOLATIONS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 87-21(b)(2) reads as rewritten:

"(b) Classes of Licenses; Eligibility and Examination of Applicant; Necessity for License. –

...

(2) Restricted licenses or classifications. –

a. The Board shall establish and issue a fuel piping license for use by persons who do not possess the required Class I or Class II plumbing or heating license, but desire to engage in the contracting or installing of fuel piping extending from an approved fuel source at or near the premises, which piping is used or may be used to supply fuel to any systems, equipment, or appliances located inside the premises.

b. The Board shall establish and issue a limited plumbing contractor license for use by persons who do not possess the required Class I or Class II plumbing license but desire to engage in the contracting or installation, repair, or replacement of either of the following:

1. Exterior potable water service lines or backflow preventers serving irrigation systems or domestic water service systems of two inch diameter or smaller.

2. Exterior building sewer or water service piping of two inch diameter or smaller.

c. The Board may also establish additional restricted classifications to provide for: (i) the licensing of any person, partnership, firm, or corporation desiring to engage in a specific phase of heating, plumbing, or fire sprinkling contracting; (ii) the licensing of any person, partnership, firm, or corporation desiring to engage in a

specific phase of heating, plumbing, or fire sprinkling contracting that is an incidental part of their primary business, which is a lawful business other than heating, plumbing, or fire sprinkling contracting; or (iii) the licensing of persons desiring to engage in contracting and installing fuel piping from an approved fuel source on the premises to a point inside the residence."

**SECTION 2.** G.S. 87-25.1 reads as rewritten:

**§ 87-25.1. Board may seek injunctive relief.**

Whenever it appears to the Board that any person, firm or corporation is violating any of the provisions of this Article or of the rules and regulations of the Board promulgated under this Article, the Board may apply to the superior court for a restraining order and injunction to restrain the violation; and the superior courts have jurisdiction to grant the requested relief, irrespective of whether or not criminal prosecution has been instituted or administrative sanctions imposed by reason of the violation. ~~The venue for actions brought under this subsection shall be the superior court of any county in which such acts are alleged to have been committed or in the county where the defendants in such action reside.~~ The court may award the Board its reasonable costs associated with the investigation and prosecution of the violation.

**SECTION 3.** This act is effective when it becomes law. Section 2 of this act is applicable to actions brought on or after that date.

In the General Assembly read three times and ratified this the 15th day of July, 2013.

s/ Daniel J. Forest  
President of the Senate

s/ Thom Tillis  
Speaker of the House of  
Representatives

s/ Pat McCrory  
Governor

Approved 4:26 p.m. this 23rd day of July, 2013

**STATE BOARD OF EXAMINERS OF PLUMBING,  
HEATING, AND FIRE SPRINKLER CONTRACTORS**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

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**FURR & NEWELL, LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

**STATE BOARD OF EXAMINERS OF PLUMBING,  
HEATING, AND FIRE SPRINKLER CONTRACTORS**

**BOARD MEMBERS (2012)**

William H. Eubanks, Chairman

Thomas G. Proffit, Vice Chairman

Patrick K. Selby, Secretary/Treasurer

John N. Royal

Ronald J. Long

William H. Sullivan III

Jeffrey R. Dunn

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**EXECUTIVE DIRECTOR**

Dale L. Dawson

**LEGAL COUNSEL**

John N. Fountain

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**STATE BOARD OF EXAMINERS OF PLUMBING,  
HEATING, AND FIRE SPRINKLER CONTRACTORS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The following is a discussion and analysis of the Board's financial performance for the year ended December 31, 2012. Please read it in conjunction with the financial statements which follow this section.

**Financial Highlights**

During 2012, the operating revenues of the Board decreased by \$34,746, or 1.7%, due primarily to decreases in examination and application fees and Laws and Rules book sales.

During 2012, the non-operating revenues of the Board increased by \$4,572, due primarily to a net gain on the sale of capital assets in 2012 of \$5,362 which was offset by a decrease of \$790 in interest income.

During 2012, the operating expenses of the Board increased by \$35,479, or 2.0%, due primarily to increases in salaries and wages, building maintenance, and insurance, which was offset by decreases in printing, unemployment claims and continuing education expenses.

**Overview of the Financial Statements**

This financial report consists of two sections: Management's Discussion and Analysis, and the Financial Statements. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

**Basic Financial Statements**

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position (page 5) present the assets, liabilities, and net position of the Board.

The Statements of Revenues, Expenses, and Changes in Fund Net Position (page 6) present information on how the Board's net position changed as a result of the year's operations.

The Statements of Cash Flows (page 7) present information on how the Board's cash changed as a result of the year's activity.

**STATE BOARD OF EXAMINERS OF PLUMBING,  
HEATING, AND FIRE SPRINKLER CONTRACTORS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

	Year Ended December 31 2012	Year Ended December 31 2011
Current assets	\$ 2,344,637	\$ 2,102,099
Capital assets	1,679,853	1,743,505
Total assets	<u>4,024,490</u>	<u>3,845,604</u>
Other current liabilities	1,342,602	1,312,101
Long-term liabilities	42,500	34,000
Total liabilities	<u>1,385,102</u>	<u>1,346,101</u>
Net investment in capital assets	1,679,853	1,743,505
Unrestricted	959,535	755,998
Total net position	<u>\$ 2,639,388</u>	<u>\$ 2,499,503</u>
Operating revenues	\$ 1,961,069	\$ 1,995,815
Operating expenses	<u>(1,828,493)</u>	<u>(1,793,014)</u>
Operating income	132,576	202,801
Non-operating revenues	7,309	2,737
Change in net position	<u>\$ 139,885</u>	<u>\$ 205,538</u>

### **Events Affecting Future Operations**

In 2012 a number of changes to the Board's rules were approved, including the creation of a new Plumbing, Heating and Fuel Piping Technician license. Individuals who held Journeyman cards issued by one of the four North Carolina municipalities/counties with an active Journeyman program were eligible to obtain the license through a "grandfather" period that was open from October 1, 2012 through December 31, 2012, with the licenses being issued on January 1, 2013. All applicants for the license after January 1, 2013 are required to pass the required examination(s) in order to obtain the license. It is estimated this change will result in an additional \$26,000 in licensing fee revenues for 2013.

### **Contacting the Board's Management**

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors, 1109 Dresser Court, Raleigh, NC 27609.

**FURR & NEWELL, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**RALEIGH, NORTH CAROLINA**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
State Board of Examiners of Plumbing,  
Heating, and Fire Sprinkler Contractors  
Raleigh, North Carolina

We have audited the statements of net position of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in fund net position, and cash flows for the years then ended, which collectively comprise the Board's basic financial statements as listed in the table of contents, and the related notes to the financial statements.. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board's activities, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other-Matter***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, who considers it to be an essential part of the financial reporting for placing the basic financial statement 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.

March 18, 2013

*Furr & Newell, LLP*

STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
STATEMENTS OF NET POSITION  
DECEMBER 31

ASSETS	2012	2011
Current assets		
Cash and cash equivalents	\$ 2,261,564	\$ 2,089,484
Prepaid salary	69,044	-
Prepaid expenses	14,029	12,615
Total current assets	<u>2,344,637</u>	<u>2,102,099</u>
Capital assets - net of depreciation		
Land and building	1,450,019	1,476,562
Furniture and office equipment	124,480	187,574
Vehicles	105,354	79,369
Total capital assets - net of depreciation	<u>1,679,853</u>	<u>1,743,505</u>
TOTAL ASSETS	<u>4,024,490</u>	<u>3,845,604</u>
LIABILITIES		
Current liabilities		
Accounts payable	25,357	96,303
Payroll liabilities	13,866	10,000
Accrued vacation - current portion	7,500	6,000
Deferred revenue	1,295,727	1,199,517
Other liabilities	152	281
Total current liabilities	<u>1,342,602</u>	<u>1,312,101</u>
Noncurrent liabilities		
Accrued vacation - long-term portion	42,500	34,000
Total noncurrent liabilities	<u>42,500</u>	<u>34,000</u>
TOTAL LIABILITIES	<u>1,385,102</u>	<u>1,346,101</u>
NET POSITION		
Net investment in capital assets	1,679,853	1,743,505
Unrestricted	<u>959,535</u>	<u>755,998</u>
TOTAL NET POSITION	<u>\$ 2,639,388</u>	<u>\$ 2,499,503</u>

See accompanying notes and accountant's report.

STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEARS ENDED

	DECEMBER 31	
	2012	2011
OPERATING REVENUES		
License fees	\$1,774,034	\$1,775,542
Examination and application fees	108,675	124,700
Late processing fees	28,350	28,732
Other operating income	50,010	66,841
TOTAL OPERATING REVENUES	<u>1,961,069</u>	<u>1,995,815</u>
OPERATING EXPENSES		
Salaries and wages	702,704	695,353
Payroll taxes	51,536	51,216
Retirement contributions	57,266	54,895
Unemployment claims	-	3,652
Employee insurance	83,842	85,119
Board members' expenses	53,618	56,289
Travel and lodging	66,351	65,240
Contracted temporary services	8,554	1,135
Telephone	13,136	17,379
Depreciation	114,311	88,519
Computer support	37,273	40,943
Building maintenance and utilities	40,976	23,818
Examination costs	81,265	78,133
Hearing expenses	21,325	19,983
Office and computer expenses	49,921	46,302
Printing	27,514	48,757
Postage and shipping	26,632	29,435
Insurance	34,387	28,023
Dues and publications	2,922	3,535
Legal, audit, and other professional fees	348,962	346,368
Continuing education expenses	5,998	8,920
TOTAL OPERATING EXPENSES	<u>1,828,493</u>	<u>1,793,014</u>
OPERATING INCOME	<u>132,576</u>	<u>202,801</u>
NON-OPERATING REVENUES		
Interest income	1,947	2,737
Net gain on sale of assets	5,362	-
TOTAL NON-OPERATING REVENUES	<u>7,309</u>	<u>2,737</u>
CHANGES IN FUND NET POSITION	139,885	205,538
NET POSITION - BEGINNING OF YEAR	<u>2,499,503</u>	<u>2,293,965</u>
NET POSITION - ENDING OF YEAR	<u>\$2,639,388</u>	<u>\$2,499,503</u>

STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED

	DECEMBER 31	
	2012	2011
Cash flows provided by (used in) operating activities		
Cash received from fees	\$ 2,007,269	\$ 1,939,614
Cash received from other operating revenues	50,010	66,841
Cash payments to employees for services	(885,348)	(876,583)
Cash payments for operating expenses	(956,501)	(852,800)
Net cash provided by operating activities	<u>215,430</u>	<u>277,072</u>
Cash flows provided by investing activities		
Interest on investments	<u>1,947</u>	<u>2,737</u>
Net cash provided by investing activities	<u>1,947</u>	<u>2,737</u>
Cash flows provided by (used in) capital and financing activities		
Acquisition of capital assets	(65,043)	(125,520)
Proceeds from sale of capital assets	19,746	-
Net cash used in capital and financing activities	<u>(45,297)</u>	<u>(125,520)</u>
Net increase in cash and cash equivalents	<u>172,080</u>	<u>154,289</u>
Cash and cash equivalents- beginning of year	<u>2,089,484</u>	<u>1,935,195</u>
Cash and cash equivalents- end of year	<u>\$ 2,261,564</u>	<u>\$ 2,089,484</u>
Reconciliation of operating income		
to net cash provided by operating activities		
Operating income	<u>\$ 132,576</u>	<u>\$ 202,801</u>
Adjustment to reconcile operating income		
to net cash provided by operating activities		
Depreciation	114,311	88,519
Adjustments to reconcile operating income to net		
cash provided from operating activities:		
Prepaid expenses	(70,458)	78
Accounts payable	(70,946)	(36,999)
Payroll liabilities	3,866	2,000
Other accrued liabilities	9,871	10,033
Deferred revenues	96,210	10,640
Total adjustments	<u>82,854</u>	<u>74,271</u>
Net cash provided by operating activities	<u>\$ 215,430</u>	<u>\$ 277,072</u>

See accompanying notes and accountant's report.

STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization**

The State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes (NCGS). The Board is composed of six members who are appointed by the Governor.

The Board is established to protect the public health, safety and welfare of the citizens of North Carolina by maintaining minimum standards for services provided by plumbing, heating and fire sprinkler contractors.

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

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The Board adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which eliminated the election to apply post November 30, 1989, FASB Statements and Interpretations that do conflict with or contradict GASB pronouncements. This Statement has been applied retrospectively and had no impact on the Board's net position, changes in fund net position or financial reporting disclosures.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Reporting Entity**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor appoints the Board members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors.

**Basis of Accounting**

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Board presents Statements of Net Position; Statements of Revenues, Expenses, and Changes in Fund Net Position; and Statements



STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 1 - Nature of Activities and Significant Accounting Policies - continued

**Basis of Accounting - continued**

of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Fund Net Position demonstrate the degree to which the direct expenses of the Board are offset by examination and license fees.

The financial statements report all activities of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors using the current financial resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

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 examination and license fees. 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**

For purposes of the statement of cash flows, the Board considers cash and cash equivalents to include cash in banks and short-term investments with an original maturity of three months or less.

**Capital Assets**

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board has chosen a capitalization threshold of \$1,000 in 2012 and 2011. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

**Long-Lived Asset**

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Recoverability of the asset to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset.

STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 1 - Nature of Activities and Significant Accounting Policies - continued

**Compensated Absences**

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

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Income Taxes**

The Board is a component of the State of North Carolina and is consequently exempt from federal and state income tax.

**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.

Note 2 - Deposits - Custodial Credit Risk

The Board maintains a money market account with a bank with deposits that exceeded amounts insured by the Federal Depository Insurance (FDIC) by \$975,351 at December 31, 2012. Throughout the year the Board's deposits exceeded the amounts insured by the FDIC.

The Board also maintains a non-interest bearing account with a bank which was fully insured by the FDIC at December 31, 2012. The Dodd Frank provision providing non-interest bearing funds were fully insured under the FDIC expired December 31, 2012, resulting in additional deposits which exceeded amounts insured by the FDIC amounting to \$814,129 at January 1, 2013.

The bank balances not covered by the FDIC insurance are collateralized by pledged securities through the State Treasurer's office.

STATE BOARD OF EXAMINERS OF PLUMBING, HEATING,  
AND FIRE SPRINKLER CONTRACTORS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 3 - Capital Assets

Changes in capital assets for the years ended December 31, 2012 and 2011 are as follows:

	Cost 12/31/11	Additions	Retirements	Cost 12/31/12	Accumulated Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,180,710	-	-	1,180,710	230,691	950,019
Furniture/Equipment	706,908	5,125	323,671	388,362	263,882	124,480
Vehicles	167,654	59,918	71,333	156,239	50,885	105,354
Totals	<u>\$2,555,272</u>	<u>\$ 65,043</u>	<u>\$ 395,004</u>	<u>\$2,225,311</u>	<u>\$ 545,458</u>	<u>\$1,679,853</u>

	Cost 12/31/10	Additions	Retirements	Cost 12/31/11	Accumulated Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,180,710	-	-	1,180,710	204,148	976,562
Furniture/Equipment	623,518	83,390	-	706,908	519,334	187,574
Vehicles	125,524	42,130	-	167,654	88,285	79,369
Totals	<u>\$2,429,752</u>	<u>\$ 125,520</u>	<u>\$ -</u>	<u>\$2,555,272</u>	<u>\$ 811,767</u>	<u>\$1,743,505</u>

Note 4 - Deferred Revenue

The Board's fees are assessed and collected on a calendar year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one calendar year. License renewal fees received in the latter part of the fiscal year are reported as deferred revenue and recognized as revenue over the one-year period to which they relate.

Note 5 - State Unemployment Liability

The Board pays unemployment on a claim basis. The Board paid no unemployment benefits during the year ended December 31, 2012 and believes there to be no liability for unemployment benefits at year-end.

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Note 6 - Compensated Absences

Accrued vacation consists of the following:

	<u>2012</u>	<u>2011</u>
Current portion	\$ 7,500	\$ 6,000
Long-term portion	<u>42,500</u>	<u>34,000</u>
Ending accrued vacation	<u>\$ 50,000</u>	<u>\$ 40,000</u>

Changes to accrued vacation are as follows:

	<u>2012</u>	<u>2011</u>
Beginning accrued vacation	\$ 40,000	\$ 30,000
Vacation earned	46,800	42,500
Vacation used	<u>(36,800)</u>	<u>(32,500)</u>
Ending accrued vacation	<u>\$ 50,000</u>	<u>\$ 40,000</u>

Note 7 - Net Position

Net investment in capital assets - This component of net position consists of 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 - This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

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Note 8 – Operating Lease

The Board leases a postage machine under an operating lease which expired in March of 2012 which was replaced with a new lease expiring in June of 2017. Total rent expense charged to operations under the lease agreements was \$ 4,554 and \$7,944 in 2012 and 2011, respectively. The following is a schedule of future minimum lease payments required under the new lease:

Years Ending December 31

2013	\$ 3,132
2014	3,132
2015	3,132
2016	3,132
2017	<u>1,566</u>
	<u>\$ 14,094</u>

Note 9 – Pension Plans

In 1997, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 401(k). Participating employees must contribute at least 6% percent of their compensation each year, up to IRS deferral limitations. Additionally, the Board makes discretionary contributions to the plan which amounted to 8.15% of employee compensation in 2012 and 2011. Voluntary contributions by employees were \$ 59,961 during 2012, and the Board's contribution was \$57,266. Voluntary contributions by employees were \$56,239 during 2011, and the Board's contribution was \$54,895. Employee's contributions are immediately 100% vested; the Board's matching contributions are 100% vested after 5 years of credited service.

Note 10 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes Board members, building and contents, commercial liability, workers compensation and employers' liability, and vehicle.

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Note 11 – Contingencies

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 12 - Subsequent Events

Management of the Board evaluated subsequent events through March 18, 2013, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.