

**NORTH CAROLINA LOCKSMITH
LICENSING BOARD**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023



NORTH CAROLINA LOCKSMITH LICENSING BOARD
Board Members

BOARD MEMBERS (2023)

Mike McCarty, Chair

Larry Mares, Vice Chair

Debbie Atkinson, Secretary/Treasurer

Henry King

Garrett Davis

Patrick Armeen

Jack Walder

Jim Storie

Deanna Brena

ADMINISTRATIVE DIRECTOR

Barden Culbreth

ATTORNEY

Catherine E. Lee

NORTH CAROLINA LOCKSMITH LICENSING BOARD

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NORTH CAROLINA LOCKSMITH LICENSING BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

The following is a discussion and analysis of the North Carolina Locksmith Licensing Board's (the "Board") financial performance for the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased by \$30,886 due primarily to increases in licenses and renewals and exam fees. The operating expenses of the Board remained consistent with prior year, increasing by only \$1,138.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of two components: (1) financial statements and (2) notes to financial statements. This report also contains required supplementary information in addition to the basic 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.

The Statement of Net Position (page 6) present assets and liabilities separately.

The Statement of Revenues, Expenses and Changes in Net Position (page 7) present information on how the Board's assets changed as a result of the years' operations.

The Statement of Cash Flows (page 8) present information on how the Board's cash changed as a result of the years' activity.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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

	As of and for the fiscal year ended June 30, 2023	(Restated) As of and for the fiscal year ended June 30, 2022
Current assets	\$ 57,450	\$ 46,057
Total assets	<u>\$ 57,450</u>	<u>\$ 46,057</u>
Current liabilities	\$ 75,982	\$ 79,666
Noncurrent liabilities	32,267	21,683
Total liabilities	<u>\$ 108,249</u>	<u>\$ 101,349</u>
Unrestricted	(50,799)	(55,292)
Total net position	<u>\$ (50,799)</u>	<u>\$ (55,292)</u>
Operating revenues	\$ 137,260	\$ 106,374
Operating expenses	132,767	131,629
Operating income (loss)	<u>4,493</u>	<u>(25,255)</u>
Changes in net position	<u>\$ 4,493</u>	<u>\$ (25,255)</u>

Events Affecting Future Operations

As of the issuance of this financial report, there are no major events planned that may affect future operations.

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 and expends. If you have any questions about this report or need additional information, contact: North Carolina Locksmith Licensing Board, P.O. Box 10972, Raleigh, NC 27605-0972.



Independent Auditor's Report

Board of Directors
North Carolina Locksmith Licensing Board
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Locksmith Licensing Board (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2023 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements presented are only for the North Carolina Locksmith Licensing Board and do not purport to, and do not present fairly the financial position of the State of North Carolina as of June 30, 2023, or the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 1 – 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
December 18, 2023

NORTH CAROLINA LOCKSMITH LICENSING BOARD
Statement of Net Position
June 30, 2023

ASSETS:

Current assets:

Cash	\$ 54,382
Prepaid expenses	3,068
Total current assets	<u>57,450</u>
Total assets	<u>57,450</u>

LIABILITIES:

Current liabilities:

Accounts payable	20,892
Due to Other State Agencies	1,140
Accrued expenses	-
Unearned revenues	53,950
Total current liabilities	<u>75,982</u>

Noncurrent liabilities:

Unearned revenues	32,267
Total noncurrent liabilities	<u>32,267</u>
Total liabilities	<u>108,249</u>

NET POSITION:

Unrestricted	<u>(50,799)</u>
Total net position	<u>\$ (50,799)</u>

NORTH CAROLINA LOCKSMITH LICENSING BOARD
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

Operating revenues:	
License and exam fees	\$ 130,360
Miscellaneous	6,900
Total operating revenues	<u>137,260</u>
Operating expenses:	
Administrative services	52,000
Legal fees	36,432
Travel and subsistence	193
Board member expenses	2,790
Postage and supplies	4,660
Licenses	7,810
Audit	-
Investigator expenses	16,232
Insurance	1,714
Telephone	647
Website maintenance expenses	746
Miscellaneous	9,543
Total operating expenses	<u>132,767</u>
Operating income	4,493
Non-operating income	<u>-</u>
Changes in net position	<u>4,493</u>
Net position - beginning of year, as previously reported	23,495
Prior period adjustment	<u>(78,787)</u>
Net position - beginning of year, as restated	<u>(55,292)</u>
Net position - end of year	<u><u>\$ (50,799)</u></u>

NORTH CAROLINA LOCKSMITH LICENSING BOARD**Statement of Cash Flows****Year Ended June 30, 2023**

Cash flows from operating activities:

Cash received from fees	\$ 143,544
Cash payments to suppliers for goods and services	(117,911)
Cash payments for other expenses	(14,240)
Net cash provided by operating activities	<u>11,393</u>

Net increase in cash 11,393

Cash - beginning of year 42,989

Cash - end of year \$ 54,382

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

Operating income	\$ 4,493
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts payable	5,616
Accrued expenses	(5,000)
Unearned revenues	6,284
Net cash provided by operating activities	<u><u>\$ 11,393</u></u>

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Locksmith Licensing Board (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93B of the *North Carolina General Statutes* and established under Chapter 83A of the *North Carolina General Statutes* to maintain minimum standards for services provided by locksmiths. The Board formally consists of nine members appointed by the Governor. The Board's operations are funded primarily through license and registration application and renewal fees.

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 ("U.S. 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 only the 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 may be reported as such in the State's *Annual Comprehensive Financial Report* (ACFR). 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 accompanying financial statements have been prepared in accordance with U.S. GAAP 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.

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. 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 revenues and expenses as operating and non-operating in the accompanying statements of revenues, expenses and changes in net position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of license renewal fees. The Board does not have any non-operating revenues and expenses.

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the statements of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash.

Revenue Recognition

The Board's fees for individual licenses and renewals are assessed and collected based on the date of the original license issuance. Licenses are renewed for a period of three years. Unearned revenue is recorded at June 30 to report the estimated renewal fees not earned as of the Board's fiscal year-end.

Net Position

The Board's net position is classified as follows:

Unrestricted - This represents assets with no external restriction as to use or purpose. This equity can be employed for any purpose designated by the governing board.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. Combined deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the Board's cash deposits were below the FDIC limit. The Board has not adopted a formal policy regarding custodial credit risk for deposits.

NOTE 3 - CONTRACTUAL MANAGEMENT SERVICES

The Board does not have any employees. The Board has an annual contract with a company located in Raleigh, North Carolina to provide administrative services. The contract includes all services related to the process of the license application, license renewal, and various other duties. The Board also reimburses the management company for miscellaneous office supplies and expenses. The amount paid under the contract during the year ending June 30, 2023 totaled \$52,000.

NORTH CAROLINA LOCKSMITH LICENSING BOARD

Notes to Financial Statements

NOTE 4 - 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. These exposures to loss are handled by participation in state-administered risk programs and self-retention of certain risks. The Board protects itself from exposure to loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 5 - RESTATEMENT

Due to a change in accounting method in the current year, management began recording unearned revenue for license and renewals fees to recognize revenue over the three-year license period. In addition, accounting errors resulted in prepaid expenses not being recognized in the prior period and accounts payable not properly accrued. Accordingly, management has restated its results as of and for the year ended June 30, 2022, for the effect of these accounting errors reflected in the prior year's financial statements. The effect of the changes as of and for the year ended June 30, 2022 are as follows:

	As Originally Reported <u>June 30, 2022</u>	As Adjusted <u>June 30, 2022</u>	Effect of Change <u></u>
Prepaid expenses	\$ -	\$ 3,068	\$ 3,068
Accounts payable	\$ 13,354	\$ 15,276	\$ 1,922
Legal fees	\$ 36,277	\$ 39,194	\$ 2,917
Investigator expenses	\$ 8,931	\$ 7,936	\$ (995)
Unearned revenues	\$ -	\$ 79,933	\$ 79,933
Unrestricted net position	\$ 23,495	\$ (55,292)	\$ (78,787)

NOTE 6 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through December 18, 2023, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board's audit was conducted in approximately 60 hours at a total cost of \$9,500.