

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

**Financial Statements for the
Years Ended June 30, 2023 and 2022 and
Independent Auditor's Report**

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

**Financial Statements for the
Years Ended June 30, 2023 and 2022 and
Independent Auditor's Report**

BOARD MEMBERS (2023)

Richard Spruill, Chairman

Steven A. Stadelman, Vice-Chairman

Kenneth Belk Taylor, Secretary-Treasurer

Rachel P. Kirkman

Emily Klein

Dennis J. LaPoint

EXECUTIVE OFFICER

Barbara U. Geiger, Executive Director

LEGAL COUNSEL

Christine Ryan, Assistant Attorney General
North Carolina Department of Justice

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1 - 4
INDEPENDENT AUDITOR’S REPORT	5 - 7
FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9 - 10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 21

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2023 and 2022. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2023, the Board's net position decreased by \$26,321, or 61.61%, due primarily to expenses exceeding revenues. During 2022, the Board's net position decreased by \$16,287, or 2.38%, due primarily to expenses exceeding revenues.

During 2023, the operating revenues of the Board decreased by \$16,116, or 10.65%, due primarily to a decrease in examination fees. During 2022, the operating revenues of the Board decreased by \$12,667, or 7.72%, due primarily to a decrease in examination fees.

During 2023, the non-operating revenues of the Board increased by \$13,98, or 1144.68%, due primarily to a gain on the valuation of zero coupon certificates of deposit and an increase in interest earning rates. During 2022, the non-operating revenues of the Board decreased by \$24,228, or 105.31%, due primarily to a small loss on the valuation of zero coupon certificates of deposit compared to a large gain on the value of zero coupon certificates of deposit in the prior fiscal year.

During 2023, the operating expenses of the Board increased by \$7,906, or 4.75%, due primarily to an increase in board member expenses and amortization expense related to the implementation of GASB 96. During 2022, the operating expenses of the Board decreased by \$10,750, or 6.07%, due primarily to a decrease in exam expenses and website expenses.

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the 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 present the current and long-term portions of assets and liabilities separately. The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations. The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

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

	Current Year as of and for the year ended June 30, 2023	Prior Year as of and for the year ended June 30, 2022
Current assets	\$ 575,551	\$ 418,517
Capital and subscription assets	21,917	70
Other assets	145,021	279,881
Total assets	<u>\$ 742,489</u>	<u>\$ 698,468</u>
Current liabilities	\$ 87,932	\$ 31,719
Total liabilities	<u>\$ 87,932</u>	<u>\$ 31,719</u>
Noncurrent liabilities	\$ 14,129	\$
Total liabilities	<u>\$ 14,129</u>	<u>\$ 0</u>
Net investment in capital assets	\$ 288	\$ 70
Unrestricted	640,140	666,679
Total net position	<u>\$ 640,428</u>	<u>\$ 666,749</u>
Operating revenues	\$ 135,261	\$ 151,377
Operating expenses	(174,348)	(166,442)
Operating income	(39,087)	(15,065)
Non-operating rev/exp	12,766	(1,222)
Change in net position	<u>\$ (26,321)</u>	<u>\$ (16,287)</u>

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$640,428 for the year ended June 30, 2023. Assets exceeded liabilities by \$666,749 for the year ended June 30, 2022. The largest component of net position was cash and investments. Cash and investments represented 111.39% of total net position at June 30, 2023, and 104.76% of total net position at June 30, 2022. Current assets consist of cash and cash equivalents, and prepaid expense. Noncurrent assets consist of capital assets (net of accumulated depreciation), subscription assets (net of accumulated amortization), and long-term investments. Capital and subscription assets are not a significant component of assets and are denoted below in the comparative summary of the Statements of Net Position. Current liabilities consist of accounts payable due to vendors, accounts payable due to other state agencies, subscription payable (current portion), and unearned revenue from license fees paid in advance. Noncurrent liabilities consist of subscription payable (long-term portion). Net position consists of net investment in capital assets and unrestricted net assets. Net investment in capital assets is a component of net position and consists of capital assets net of depreciation, and subscription assets net of amortization. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2023	Prior Year as of June 30, 2022	Amount of Change	Percentage Change
Current assets	\$ 575,551	\$ 418,517	\$ 157,034	37.52%
Capital and subscription assets	21,917	70	21,847	31210.00%
Other assets	145,021	279,881	(134,860)	-48.18%
Total assets	<u>\$ 742,489</u>	<u>\$ 698,468</u>	<u>\$ 44,021</u>	<u>6.30%</u>
Current liabilities	\$ (87,932)	\$ (31,719)	\$ (56,213)	177.22%
Total liabilities	<u>\$ (87,932)</u>	<u>\$ (31,719)</u>	<u>\$ (56,213)</u>	<u>177.22%</u>
Noncurrent liabilities	\$ (14,129)	\$	\$ (14,129)	100.00%
Total liabilities	<u>\$ (14,129)</u>	<u>\$ 0</u>	<u>\$ (14,129)</u>	<u>100.00%</u>
Net investment in capital assets	\$ 288	\$ 70	\$ 218	311.43%
Unrestricted	640,140	666,679	(26,539)	-3.98%
Total net position	<u>\$ 640,428</u>	<u>\$ 666,749</u>	<u>\$ (26,321)</u>	<u>-3.95%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2023	The year ended June 30, 2022	Amount of Change	Percentage Change
Operating revenues	\$ 135,261	\$ 151,377	\$ (16,116)	-10.65%
Operating expenses	(174,348)	(166,442)	(7,906)	4.75%
Non-operating revenues	12,766	(1,222)	13,988	-1144.68%
Change in net position	<u>\$ (26,321)</u>	<u>\$ (16,287)</u>	<u>\$ (10,034)</u>	<u>-61.61%</u>
Ending net position	<u>\$ 640,428</u>	<u>\$ 666,749</u>	<u>\$ (26,321)</u>	<u>-3.95%</u>

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2023	The year ended June 30, 2022	Amount of Change	Percentage Change
License and renewal fees	\$ 102,325	\$ 104,275	\$ (1,950)	-1.87%
New application fees	7,645	6,550	1,095	16.72%
Examination fees	14,665	33,785	(19,120)	-56.59%
Late payment fees	5,800	3,250	2,550	78.46%
Miscellaneous income	4,826	3,517	1,309	37.22%
Total	<u>\$ 135,261</u>	<u>\$ 151,377</u>	<u>\$ (16,116)</u>	<u>-10.65%</u>

The following is a breakdown of non-operating revenues by source. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2023	The year ended June 30, 2022	Amount of Change	Percentage Change
Interest income	\$ 7,349	\$ 887	\$ 6,462	728.52%
Gain (loss) on CD's	5,417	(2,109)	7,526	-356.85%
Total	<u>\$ 12,766</u>	<u>\$ (1,222)</u>	<u>\$ 13,988</u>	<u>-1144.68%</u>

Events Affecting Future Operations

The Board is not aware of any significant events that may affect future operations of the Board which are reportable pursuant to GASB reporting requirements.

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: North Carolina Board for Licensing of Geologists, 3733 Benson Drive, Raleigh, NC 27609.

Hawley, C.P.A., P.A.
Certified Public Accountant

Suite B1
800 N. Raleigh St.
P.O. Box 1545
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825
Facsimile: (919) 639-3102

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Board for Licensing of Geologists
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina Board for Licensing of Geologists (Board), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the North Carolina Board for Licensing of Geologists as of June 30, 2023 and 2022, and the results of its operations, changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for one year after the date that the financial statements are issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 GAAS 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 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 GAAS, 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 that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

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 is the responsibility of management and, 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.

A handwritten signature in black ink that reads "Hawley, C.P.A., P.A." The signature is written in a cursive, flowing style.

Hawley, C.P.A., P.A.

Angier, North Carolina

October 13, 2023

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash in State Treasurer (Notes 1 and 2)	\$ 171,336	\$ 166,004
Cash and cash equivalents - other (Notes 1 and 2)	396,715	252,513
Prepaid expense (Note 1)	<u>7,500</u>	
Total current assets	575,551	418,517
Capital assets (Notes 1 and 4):		
Furniture and office equipment, net of depreciation	70	70
Right-to-use subscription asset, net of amortization	<u>21,847</u>	
Total capital assets - net	<u>21,917</u>	<u>70</u>
Other assets:		
Investments (Notes 2 and 3)	<u>145,021</u>	279,881
Total other assets	145,021	279,881
TOTAL ASSETS	<u>\$ 742,489</u>	<u>\$ 698,468</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable (Note 5)	\$ 1,211	\$ 441
Due to other state agencies (Note 5)	176	858
Subscription payable (Notes 5, 7 and 10)	7,500	
Unearned revenue (Note 1)	<u>79,045</u>	30,420
Total current liabilities	87,932	31,719
Noncurrent liabilities:		
Subscription payable (Notes 1, 5, 7 and 10)	<u>14,129</u>	
Total noncurrent liabilities	14,129	0
TOTAL LIABILITIES	<u>102,061</u>	<u>31,719</u>
NET POSITION (NOTE 1)		
Net investment in capital assets	288	70
Unrestricted net position	<u>640,140</u>	666,679
TOTAL NET POSITION	<u>640,428</u>	<u>666,749</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 742,489</u>	<u>\$ 698,468</u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses, and fines:		
License and renewal fees	\$ 102,325	\$ 104,275
New application fees and packets	7,645	6,550
Examination fees	14,665	33,785
Late payment fees	5,800	3,250
Miscellaneous operating income	<u>4,826</u>	<u>3,517</u>
Total operating revenues	\$ 135,261	\$ 151,377
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses (including lodging, meals, and transportation)	\$ 21,848	\$ 5,050
Supplies and materials:		
Office supplies	4,522	3,595
Stamps	3,577	2,253
Services:		
Contractual management services (Note 8)	82,500	75,000
Management service staff expenses	180	396
Website expenses		6,997
Legal (including related costs), accounting and audit fees	12,725	20,865
Peer review expenses (Note 9)	2,724	680
Printing and copying (including newsletter)	4,618	3,215
Postage and freight	3,746	3,904
Telephone	1,080	1,080
Exam expenses	15,491	30,570
Public relations expenses - law awareness	1,141	600
Insurance	2,182	2,102

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Other expenses:		
Dues	4,500	4,500
Credit card discount fees	4,406	4,194
Amortization expense (Note 1 and 3)	7,282	
Miscellaneous expenses	1,826	1,441
Total operating expenses	<u>\$ 174,348</u>	<u>\$ 166,442</u>
 Operating income (loss)	 \$ (39,087)	 \$ (15,065)
 NON-OPERATING REVENUES (EXPENSES):		
Interest income (including unrealized gain (loss) on certificates of deposit in the secondary market) (Note 1)	<u>\$ 12,766</u>	<u>\$ (1,222)</u>
Total non-operating revenues	<u>\$ 12,766</u>	<u>\$ (1,222)</u>
 Change in net position	 <u>\$ (26,321)</u>	 <u>\$ (16,287)</u>
 Net position - beginning of year	 <u>666,749</u>	 <u>683,036</u>
 Net position - end of year	 <u><u>\$ 640,428</u></u>	 <u><u>\$ 666,749</u></u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other operating income	\$ 183,886	\$ 137,242
Cash payments for operating expenses	(174,478)	(165,905)
Net cash provided (used) by operating activities	\$ 9,408	\$ (28,663)
Cash flows from capital and related financing activities:		
Principal and interest paid on right-to-use subscription asset	\$ (7,500)	\$
Net cash provided (used) in capital and related financing	\$ (7,500)	\$ 0
Cash flows from investing activities:		
Interest earnings (including unrealized gain (loss) on CDs in the secondary market)	\$ 12,766	\$ (1,222)
Transfers from (to) investments	134,860	1,642
Net cash provided (used) by investing activities	\$ 147,626	\$ 420
Net increase in cash	\$ 149,534	\$ (28,243)
Cash - beginning of year	418,517	446,760
Cash - end of year	<u>\$ 568,051</u>	<u>\$ 418,517</u>
Reconciliation of operating income to net cash provided by to net cash provided by operating activities:		
Operating income (loss)	\$ (39,087)	\$ (15,065)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Amortization	\$ 7,282	\$
Prepaid expense	(7,500)	6,555
Accounts payable	88	(6,018)
Unearned revenue	48,625	(14,135)
Total adjustments	\$ 48,495	\$ (13,598)
Net cash provided (used) by operating activities	<u>\$ 9,408</u>	<u>\$ (28,663)</u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Board for Licensing of Geologists (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 89E of the North Carolina General Statutes. The Board is composed of six members who are appointed by the Governor of the State of North Carolina. 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 Annual Comprehensive Financial Report (ACFR).

The Board is established to maintain minimum standards for services provided by geologists.

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

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 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 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.

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.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

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 assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash in State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure, they are considered a cash equivalent. Ownership interests of the STIF are determined on a fair market valuation basis as of June 30, 2023 in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodial. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Board's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

Investments

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income. The Board held negotiable and non-negotiable certificates of deposit.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Prepaid Expense

This classification includes expenses which were prepaid at year end for prepaid website management.

Capital Assets

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years.

Right-to-use subscription assets are recorded at the present value of payments expected to be made during the subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Amortization for right-to-use subscription assets is computed using the straight-line method over the shorter of the subscription term or the underlying asset's estimated useful life, generally estimated as follows: right-to-use subscription asset, 2-30 years.

Unearned Revenue

The Board's fees are assessed and collected on an annual basis for the period July 1 through June 30, which corresponds with the Board's accounting period. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of other long-term liabilities that will not be paid within the next fiscal year. Noncurrent liabilities include subscription liability.

Net Position

Net investment in capital assets - This component of net position consists of total investment in capital assets (net of accumulated depreciation and amortization) and reduced by outstanding liabilities (if any) related to those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position at year end.

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

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates

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

Note 2 - Deposits and Investments

Cash in State Treasurer Short Term Investment Fund (STIF)

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily deposits to the North Carolina Short Term Investment Fund (STIF). Disbursements are through the issuance of warrants by the Board. Investments of the Short Term Investment Fund are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government agency securities. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investments risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's Annual Comprehensive Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, www.ncosc.net, and clicking on "Financial Reports", or calling the OSC's Financial Reporting Section at 919-707-0500.

At June 30, 2023, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$171,336 (including undeposited receipts), and a bank balance of \$166,936. At June 30, 2022, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$166,004 (including undeposited receipts), and a bank balance of \$174,244.

Deposits in Financial Institution(s)

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal written policies regarding custodial credit risk for deposits.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Deposits and Investments (Continued)

At June 30, 2023, the Board's deposits had a carrying amount of \$541,736 and a bank balance of \$541,736. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$291,736 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. At June 30, 2022, the Board's deposits had a carrying amount of \$532,394 and a bank balance of \$532,394. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$282,394 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit are considered time deposits for this disclosure and are classified as investments on the Statements of Net Position. The Board had certificates of deposit in the amount of \$145,021 at June 30, 2023, and \$279,881 at June 30, 2022.

Investments

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits (negotiable and non-negotiable) with maturities of no more than approximately 60 months, and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and to money market mutual funds.

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at June 30, 2023 and 2022, for the Board's investments.

June 30, 2023			
Investment Type	Fair Values	Properties of Debt Securities	
		Weighted Avg Maturities	Ratings
Securities:			
Certificates of Deposit	\$145,021	38.00 Months	N/A
June 30, 2022			
Investment Type	Fair Values	Properties of Debt Securities	
		Weighted Avg Maturities	Ratings
Securities:			
Certificates of Deposit	\$279,881	33.50 Months	N/A

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Deposits and Investments (Continued)

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, 2023 and 2022, is as follows:

	June 30, 2023	June 30, 2022
Carrying Amount of Cash in State Treasurer	\$ 171,336	\$ 166,004
Carrying Amount of Bank Deposits	396,715	252,513
Certificates of Deposits-negotiable	-	135,329
Certificates of Deposits-nonnegotiable	145,021	144,552
Total Deposits and Investments	<u>\$ 713,072</u>	<u>\$ 698,398</u>
Current:		
Cash in State Treasurer	\$ 171,336	\$ 166,004
Cash and Cash Equivalents - Other	396,715	252,513
Noncurrent:		
Investments	145,021	279,881
Total Deposits and Investments	<u>\$ 713,072</u>	<u>\$ 698,398</u>

Note 3 - Fair Value Measurements

To the extent available, the Board's investments are recorded at fair value as of June 30, 2023 and 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 3 - Fair Value Measurements (Continued)

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that the Board can access at the measurement date.
- Level 2: Investments with inputs – other than quoted prices included within Level 1 –that are observable for an asset, either directly or indirectly.
- Level 3: Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

The following table summarizes the Board's investments within the fair value hierarchy as of June 30, 2023 and 2022.

Investments by Fair Value Level - Negotiable certificates of deposit				
Fair Value Measurements Using				
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
June 30, 2023	\$ 0	\$ -	\$ -	\$ -
June 30, 2022	\$ 135,329	\$ -	\$ 135,329	\$ -

Note 4- Capital Assets

Changes in capital assets as of and for the years ended June 30, 2023 and 2022 are as follows:

	Bal 6-30-2022	Increases	Decreases	Bal 6-30-2023
Capital Assets				
Furn/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237
Right-to-use subscription asset	-	29,129	-	29,129
Total capital assets	1,237	29,129	0	30,366
Less Accumulated Depr/Amort for:				
Furn/Equipment	(1,167)	-	-	(1,167)
Right-to-use subscription asset	-	(7,282)	-	(7,282)
Total Accumulate Depr/Amort	(1,167)	(7,282)	0	(8,449)
Capital Assets, Net	\$ 70	\$ 21,847	\$ 0	\$ 21,917

	Bal 6-30-2021	Increases	Decreases	Bal 6-30-2022
Capital Assets				
Furn/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237
Right-to-use subscription asset	-	-	-	0
Total capital assets	1,237	0	0	1,237
Less Accumulated Depr/Amort for:				
Furn/Equipment	(1,167)	-	-	(1,167)
Right-to-use subscription asset	-	-	-	0
Total Accumulate Depr/Amort	(1,167)	0	0	(1,167)
Capital Assets, Net	\$ 70	\$ 0	\$ 0	\$ 70

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 4- Capital Assets (Continued)

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. When a subscription asset is disposed of, the cost of the subscription asset and the related accumulated amortization are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. No depreciation expense was recorded for the fiscal year ended June 30, 2023 or for the fiscal year ended June 30, 2022. Amortization expenses in the amount of \$7,282 was recorded for the fiscal year ended June 30, 2023.

Note 5 - Long Term Liabilities

Changes in Long-Term Liability

A summary of changes in the long-term liabilities for the year ended June 30, 2023 are presented as follows:

	Balance at 6-30-2022	Additions	Reductions	Balance at 6-30-2023	Current	Noncurrent
Subscription Liability	\$ -	\$ 29,129	\$ (7,500)	\$ 21,629	\$ 7,500	\$ 14,129
Total Long-Term Liability	<u>\$ 0</u>	<u>\$ 29,129</u>	<u>\$ (7,500)</u>	<u>\$ 21,629</u>	<u>\$ 7,500</u>	<u>\$ 14,129</u>

Additional information regarding right-to-use subscription asset and subscription liability are included in Notes 1, 7 and 10.

Note 6 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	June 30, 2023	June 30, 2022
Due to Vendors	\$ 1,211	\$ 441
Due to Other State Agencies	176	858
Total Accounts Payable	<u>\$ 1,387</u>	<u>\$ 1,299</u>

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 7 - Subscription-Based Information Technology Arrangement (SBITA)

The Board entered a SBITA for the right to use information technology software and cloud computing arrangement (network) asset from an external party. The subscription liability and the related right-to-use subscription asset are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the Board's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the subscription liability excluded the following variable payment amounts: (1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index), and (2) payments based on future performance or usage of the underlying assets. During the year the Board did not recognize any variable payment amounts.

During the fiscal year, the Board recognized a beginning right-to-use subscription asset and beginning subscription liability in the amount of \$29,129. Future subscription payments have been discounted using a rate of 2%. The subscription payments will result in the reduction of the subscription liability payable, amortization of the right-to-use subscription asset, and interest expense for the use of the asset. A subscription payment in the amount of \$7,500 was made during the fiscal year ended June 30, 2023 which reduced the subscription liability to \$21,629 as of June 30, 2023.

The annual requirements to pay principal and interest on SBITA at June 30, 2023, are as follows:

Fiscal Year	Annual Requirements		
	Subscription (SBITA) Liability		
	Principal	Interest	Payment
2024	\$ 7,067	\$ 433	\$ 7,500
2025	7,209	291	7,500
2025	7,353	147	7,500
Total	<u>\$ 21,629</u>	<u>\$ 871</u>	<u>\$ 22,500</u>

Note 8 - Contractual Management Services

The Board does not have any employees. The Board contracts with a management service to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other management and administrative duties. The Board also reimburses the management service for printing, copying, postage and miscellaneous office supplies and expenses. Payments to the management service totaled \$102,634 (which consisted of contractual management services in the amount of \$82,500 and reimbursements in the amount of \$20,134) during the fiscal year ended June 30, 2023. Payments to the management service totaled \$88,843 (which consisted of contractual management services in the amount of \$75,000 and reimbursements in the amount of \$13,843) during the fiscal year ended June 30, 2022.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Note 9 - Related Party Transactions

The Board contracts with former Board members to perform peer review services for the Board. Peer review services are expenses incurred and paid for professional services rendered to investigate complaints against Board licensees and to investigate unlicensed practice. Payments to former Board members (for peer review services) totaled \$2,724 during the fiscal year ended June 30, 2023. Payments to former Board members (for peer review services) totaled \$680 during the fiscal year ended June 30, 2022.

Note 10 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2023, the Board implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

Note 11 - 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 certain state-administered risk programs and self retention of certain risks. Additionally, 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 coverage in the prior year, and no insurance claims were filed during the last three fiscal years.

Note 12 - Contingencies

The Board is involved in occasional 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 13 - Subsequent Events

Subsequent events have been evaluated through October 13, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required approximately 80 audit hours at a cost of \$7,995.