

**NORTH CAROLINA BOARD OF EXAMINERS  
FOR ENGINEERS AND SURVEYORS**

**FINANCIAL STATEMENTS**

**YEARS ENDED NOVEMBER 30, 2015 AND 2014**

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
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**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2015**

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The following is a discussion and analysis of the North Carolina Board of Examiners for Engineers and Surveyors' (the "Board") financial performance for the year ended November 30, 2015. The accompanying financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

**Financial Highlights**

Overall operating revenues of the Board decreased by \$225,610, or approximately 8.4%, due primarily to the change in processing exam fees whereby approved applicants began paying exam fees directly to NCEES instead of the Board in August. However, license fees renewal revenue reflected a modest increase of \$12,200 or .5 %.

Overall operating expenses of the Board decreased by \$293,861, or approximately 12.1%, due primarily to the essential disappearance of all examination costs previously remitted to NCEES. Decreases were also noted in legal, accounting and audit fees due primarily to reduced outside legal costs related to two cases litigated in the prior year which have stalled in the appeals process.

Nonoperating revenues of the Board decreased by \$5,694, or 261%, due primarily to unrealized losses recognized in the current year related to decreases in stock values at year end. The Board changed its investment policy in 2015 in order to diversify its portfolio.

**Overview of the Basic Financial Statements**

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**Basic Financial Statements**

The basic 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 noncurrent 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 the year's operations.

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

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2015**

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**Basic Financial Statements (Continued)**

The following presents condensed financial information for Board operations at November 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current assets	<b>\$ 1,266,797</b>	\$ 1,489,444	\$ 1,152,658
Capital assets - net of depreciation	<b>151,733</b>	179,163	246,147
Noncurrent assets	<b>584,111</b>	-	-
Total assets	<b><u>2,002,641</u></b>	<u>1,668,607</u>	<u>1,398,805</u>
Current liabilities	<b>136,050</b>	141,726	144,077
Noncurrent liabilities	<b>125,000</b>	120,000	120,000
Total liabilities	<b><u>261,050</u></b>	<u>261,726</u>	<u>264,077</u>
Net position:			
Net investment in capital assets	<b>151,733</b>	179,163	246,147
Unrestricted	<b>1,589,858</b>	1,227,718	888,581
Total net position	<b><u>\$ 1,741,591</u></b>	<u>\$ 1,406,881</u>	<u>\$ 1,134,728</u>
Operating revenues	<b>\$ 2,472,625</b>	\$ 2,698,235	\$ 2,813,474
Operating expenses	<b>2,134,402</b>	2,428,263	2,519,267
Operating income	<b>338,223</b>	269,972	294,207
Non-operating revenues	<b>(3,513)</b>	2,181	1,299
Changes in net position	<b><u>\$ 334,710</u></b>	<u>\$ 272,153</u>	<u>\$ 295,506</u>

A comparison of budget to actual operations is presented on page 18. Actual revenues exceeded budget expectations by 2.5%. Exam fee revenue exceeded budget by \$550; the Board stopped collecting these fees in August 2014 as NCEES became the clearinghouse for the payment of all future exam fees, except for those in-house state-specific surveying exams. License fees renewal revenue also exceeded budget projections by \$44,450 or 1.8%.

Expenses came in under budget projections by 9.7% or \$228,842. Legal fees incurred (\$46,112) were more than twice the budgeted amount of \$20,000, as several cases continued to move through the appeals process and one administrative hearing was conducted in September.

Office and board expenses were under budget by 35.7% or \$307,905. Contributing factors included: 1) renegotiated merchant bankcard fees continued to produce results and a reduction of 32.5% or \$24,346; 2) Board member expenses were under budget by 24.6% (\$20,890) as one Public Member seat remained unfilled for the first five months of the fiscal year and professional meetings were attended by designated Board members and not the entire group; and 3) staff travel was under budget 15.5% (\$6,215), driven by fluctuating investigative caseloads and geographic locations of interviewees.

The 2015 budget for office and board expenses also included a designated reserve fund amount of \$250,000 (unspent) which accounts for the remaining budget-to-actual overage and will be used to fund fiscal year 2016 special projects.

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2015**

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**Events Affecting Future Operations**

The Board is moving toward replacing its current database and website (now two independently-operated systems) with a combined system that ties the database to the website and also integrates the financial system. The new database will also incorporate a paperless application process and tie in with the NCEES CBT programs being implemented. At this time the Board has received three proposals that range from \$400,000 to \$800,000. The Board is anticipating moving forward with this project in fiscal year ending November 30, 2016.

**Contacting the Board's Financial 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 funds it receives and expends. If you have questions or require additional information, please contact the North Carolina Board of Examiners for Engineers and Surveyors, 4601 Six Forks Road, Suite 310, Raleigh, NC 27609.

## **Independent Auditor's Report**

Members of the Board  
North Carolina Board of Examiners for Engineers and Surveyors  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), which comprise the statements of net position as of November 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

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

Management is responsible for the preparation and fair presentation of these basic 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 an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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 basic financial statements.

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

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Examiners for Engineers and Surveyors as of November 30, 2015 and 2014, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Examiners for Engineers and Surveyors and do not purport to and do not present fairly the financial position of the State of North Carolina as of November 30, 2015 and 2014, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***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 1-3 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.

***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Revenues, Expenses, and Changes in Net Position - Actual and Budget ("supplementary information") on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management. Such information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
July 12, 2016

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Net Position**  
**November 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,021,252	\$ 662,999
Investments	207,994	797,048
Prepaid expenses	14,971	13,818
Prepaid rent	15,264	11,853
Other assets	7,316	3,726
Total current assets	<u>1,266,797</u>	<u>1,489,444</u>
Capital assets:		
Property and equipment	624,238	634,983
Leasehold improvements	113,382	113,382
Less accumulated depreciation	(585,887)	(569,202)
Total capital assets - net of depreciation	<u>151,733</u>	<u>179,163</u>
Noncurrent assets:		
Investments	<u>584,111</u>	<u>-</u>
Total assets	<u>2,002,641</u>	<u>1,668,607</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Payroll liabilities	-	9,276
Unearned revenue	136,050	132,450
Total current liabilities	<u>136,050</u>	<u>141,726</u>
Noncurrent liability:		
Compensated absences	<u>125,000</u>	<u>120,000</u>
Total liabilities	<u>261,050</u>	<u>261,726</u>
<b>NET POSITION:</b>		
Net investment in capital assets	151,733	179,163
Unrestricted	1,589,858	1,227,718
Total net position	<u>\$ 1,741,591</u>	<u>\$ 1,406,881</u>



**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended November 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Renewal fees	\$ 2,265,500	\$ 2,253,300
Application fees	170,950	171,250
Exam fees	550	234,240
Certification fees	13,000	6,400
Civil penalties collected	21,000	30,500
Miscellaneous	1,625	2,545
Total operating revenues	<u>2,472,625</u>	<u>2,698,235</u>
Operating expenses:		
Salaries and wages	1,121,740	1,085,899
Payroll taxes	80,018	80,587
Retirement contributions and administration	64,167	66,400
Hospital and disability insurance	197,053	194,933
Staff development and training	3,787	4,518
Insurance and bonding	6,744	6,649
Office rent	199,179	194,355
Telephone	12,069	11,273
Office supplies	36,846	33,218
Depreciation	40,251	73,564
Printing	18,249	7,304
Postage	21,707	24,702
Credit and bankcard fees	54,571	57,546
Travel-board members	39,210	36,406
Travel and other-staff	36,546	37,514
Board members per diem	24,897	22,200
Examination costs	-	260,450
Certificate ceremonies	8,996	2,181
Contracted services	54,796	58,467
Legal, accounting, and audit fees	55,012	94,283
Computer services	5,657	6,680
Equipment, rental, and maintenance	14,955	19,038
Civil penalties remitted	19,000	29,500
Miscellaneous	9,124	10,786
Dues and subscriptions	9,828	9,810
Total operating expenses	<u>2,134,402</u>	<u>2,428,263</u>
Operating income	<u>338,223</u>	<u>269,972</u>
Non-operating revenues (expenses):		
Interest income	3,584	2,040
Realized and unrealized gains (losses) on investments	(6,891)	141
Loss on disposal of capital assets	(206)	-
Total non-operating revenues (expenses)	<u>(3,513)</u>	<u>2,181</u>
Changes in net position	334,710	272,153
Net position - beginning of year	<u>1,406,881</u>	<u>1,134,728</u>
Net position - end of year	<u>\$ 1,741,591</u>	<u>\$ 1,406,881</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

**Statements of Cash Flows**

**Years Ended November 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,453,600	\$ 2,667,890
Other cash received	22,625	33,045
Cash payments to employees for services	(1,126,016)	(1,083,302)
Cash payments to suppliers of goods and services	(866,297)	(1,170,726)
Cash payments for other operating expenses	(114,268)	(110,448)
Net cash provided by operating activities	<u>369,644</u>	<u>336,459</u>
Cash flows from investing activities:		
Net investment income	1,636	387
Purchase of investments	(1,596,520)	(1,045,000)
Proceeds from sales of investments	1,596,520	795,000
Net cash provided by (used in) investing activities	<u>1,636</u>	<u>(249,613)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(13,027)	(6,580)
Net cash used in capital and related financing activities	<u>(13,027)</u>	<u>(6,580)</u>
Net increase in cash	358,253	80,266
Cash - beginning of year	<u>662,999</u>	<u>582,733</u>
Cash - end of year	<u>\$ 1,021,252</u>	<u>\$ 662,999</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 338,223</u>	<u>\$ 269,972</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	40,251	73,564
Changes in assets and liabilities:		
Prepaid expenses	(1,153)	(1,321)
Prepaid rent	(3,411)	(3,405)
Other assets	(3,590)	-
Accounts payable	-	(7,648)
Payroll liabilities	(9,276)	2,597
Compensated absences	5,000	-
Unearned revenue	3,600	2,700
Total adjustments	<u>31,421</u>	<u>66,487</u>
Net cash provided by operating activities	<u>\$ 369,644</u>	<u>\$ 336,459</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Description of Organization**

The North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), is an independent State agency. It is an occupational licensing board and is authorized by Chapters 89C of the North Carolina General Statutes (NCGS). The Board is composed of nine members: four licensed professional engineers, three licensed professional land surveyors and two public members who are neither professional engineers nor professional land surveyors. All members are appointed by the Governor.

The Board's primary responsibilities are to administer the examinations, to grant certificates of qualification as professional engineers and professional land surveyors to qualified persons, to register certified firms, and to enforce all statutes and rules of Chapter 89C and 21 NCAC Chapter 56.

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 (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 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 may be reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

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 OF EXAMINERS FOR ENGINEERS AND SURVEYORS

## Notes to Financial Statements

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### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Accounting**

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the cash flows.

The Board classifies its revenues as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital 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 include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

#### **Cash and Cash Equivalents**

Cash includes cash on deposit and money market accounts with financial institutions. For purposes of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

#### **Investments**

Investments consist of equities, mutual funds, corporate bonds, non-negotiable certificates of deposit and money market funds held in brokerage accounts. Money market funds and fixed income securities maturing within the next fiscal year are shown as current. Investments are reported at fair value. Fair values are based on readily available market quotes. The certificates of deposit are also reported at fair value, which is cost plus accrued interest to date. In 2015, the Board elected to early adopt GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015.

#### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	10 years
Property and equipment	5-10 years

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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

**Capital Assets (Continued)**

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.

**Compensated Absences**

Board employees may accumulate up to thirty days earned vacation (except for the Board's Executive Director, who may accumulate up to sixty days) and such leave is fully vested when earned.

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 recognized.

**Net Position**

The Board's net position is classified as follows:

*Invested in Capital Assets* - This represents the Board's total investment in capital assets, net of accumulated depreciation.

*Unrestricted Net Assets* - This represents assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

**Budgetary Practices**

Budgets for fiscal years ended November 30, 2015 and 2014, were adopted by the Board. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

# NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

## Notes to Financial Statements

### NOTE 2 - DEPOSITS AND INVESTMENTS

Investments are comprised of the following at November 30:

November 30, 2015	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	\$ 134,154	\$ 135,225	\$ 1,071
Certificates of deposit	424,000	424,358	358
Equities	127,512	124,332	(3,180)
Mutual funds	103,500	99,014	(4,486)
Money market funds	9,176	9,176	-
	<b>\$ 798,342</b>	<b>\$ 792,105</b>	<b>\$ (6,237)</b>

  

November 30, 2014	Cost	Fair Value	Unrealized Gain (Loss)
Certificates of deposit	\$ 797,000	\$ 796,850	\$ (150)
Money market funds	198	198	-
	<b>\$ 797,198</b>	<b>\$ 797,048</b>	<b>\$ (150)</b>

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement 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 table sets forth by level, within the fair value hierarchy, the Board's assets at fair value as of November 30, 2015 and 2014:

November 30, 2015	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 135,225	\$ -	\$ -	\$ 135,225
Certificates of deposit	-	424,358	-	424,358
Equities	124,332	-	-	124,332
Mutual funds	99,014	-	-	99,014
Money market funds	9,176	-	-	9,176
	<b>\$ 367,747</b>	<b>\$ 424,358</b>	<b>\$ -</b>	<b>\$ 792,105</b>

  

November 30, 2014	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 796,850	\$ -	\$ 796,850
Money market funds	198	-	-	198
	<b>\$ 198</b>	<b>\$ 796,850</b>	<b>\$ -</b>	<b>\$ 797,048</b>

# NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

## Notes to Financial Statements

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### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Board is subject to the following risks:

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. At November 30, 2015, the Board owned investments exceeded the SIPC limit of \$500,000 by \$282,929.

The Board had multiple certificates of deposit investments totaling \$424,358 insured by the Federal Depository Insurance Corporation (FDIC). At November 30, 2015, all of these deposits were individually insured under the FDIC limit of \$250,000. The Board also has cash deposits that are insured under FDIC. At November 30, 2015, the Board had \$849,503 of deposits in excess of the FDIC limit of \$250,000.

*Interest Rate Risk:* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board minimizes interest rate risk by structuring the investment portfolio so securities mature using a ladder approach in order to avoid the need to sell securities prior to maturity.

The maturities of the Board's fixed income securities as of November 30, 2015, were as follows:

	Investment Amount
0 - 5 years	\$ 424,358
6 - 10 years	135,225
	<u>\$ 559,583</u>

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board minimizes credit risk by limiting investments to the following types:

- Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, Government National Mortgage Association, The Federal Housing Administration, and the Farmers Home Administration.
- Certificates of deposit and other time deposits of financial institutions.
- Obligations of the State of North Carolina.
- Investment grade bonds with a rating of A or above by a nationally recognized rating agency.

# NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

## Notes to Financial Statements

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### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks.
- Repurchase agreements with respect to securities issued or guaranteed by the US government or its agencies or other securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank.
- Asset backed securities provided they bear the highest rating of at least one nationally recognized service and do not have a rating below the highest rating by any nationally recognized rating service which rates the particular securities.
- Equity market.

At November 30, 2015, the Board's money market funds and certificates of deposit were unrated, and the Board's bond portfolio had the following credit ratings as rated by Moody's Investor Service:

Credit Rating	
A1	\$ 59,939
A2	\$ 75,286

### NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the Board for the years ended November 30, 2015 and 2014 are as follows:

	Cost 11/30/2014	Additions	Disposals	Cost 11/30/2015
Capital Assets				
Leasehold improvements	\$ 113,382	\$ -	\$ -	\$ 113,382
Property and equipment	634,983	13,027	23,772	624,238
	<u>748,365</u>	<u>13,027</u>	<u>23,772</u>	<u>737,620</u>
Less accumulated depreciation for:				
Leasehold improvements	45,967	10,572	-	56,539
Property and equipment	523,235	29,679	23,566	529,348
Total accumulated depreciation	<u>569,202</u>	<u>40,251</u>	<u>23,566</u>	<u>585,887</u>
Total capital assets, net	<u>\$ 179,163</u>	<u>\$ (27,224)</u>	<u>\$ 206</u>	<u>\$ 151,733</u>



**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS****Notes to Financial Statements**

## NOTE 3 - CAPITAL ASSETS (Continued)

	Cost 11/30/2013	Additions	Disposals	Cost 11/30/2014
Capital Assets				
Leasehold improvements	\$ 113,382	\$ -	\$ -	\$ 113,382
Property and equipment	628,403	6,580	-	634,983
	<u>741,785</u>	<u>6,580</u>	<u>-</u>	<u>748,365</u>
Less accumulated depreciation for:				
Leasehold improvements	27,850	18,117	-	45,967
Property and equipment	467,788	55,447	-	523,235
Total accumulated depreciation	<u>495,638</u>	<u>73,564</u>	<u>-</u>	<u>569,202</u>
Total capital assets, net	<u>\$ 246,147</u>	<u>\$ (66,984)</u>	<u>\$ -</u>	<u>\$ 179,163</u>

## NOTE 4 - COMPENSATED ABSENCES

Changes to accrued compensated absences are as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 120,000	\$ 120,000
Increases	88,631	83,459
Decreases	(83,631)	(83,459)
Ending balance	<u>\$ 125,000</u>	<u>\$ 120,000</u>

## NOTE 5 - UNEARNED REVENUE

The Board's fees for Professional Engineers (PE) and Land Surveyors (LS) are assessed and collected on a fiscal year basis, corresponding with the Board's accounting period. These license renewal fees are collected beginning December 1 for the fiscal year, and therefore, there is no unearned revenue related to PE and LS renewals at year end. The Board's Firm renewal fees run from June 1 through May 31 resulting in unearned revenue at November 30, 2015 and 2014 of \$136,050 and \$132,450, respectively.

## NOTE 6 - NET POSITION

The Board has reserved a portion of unrestricted net assets to cover future activities, including \$250,000 for litigation and \$100,000 for projects/office space.

## NOTE 7 - OPERATING LEASES

The Board amended its lease for office space in March 2006 adding an additional 1,271 square footage and extended the terms of the lease until June 30, 2016. For the fiscal years ended November 30, 2015 and 2014, total rent expense was \$199,179 and \$194,355, respectively.

# NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

## Notes to Financial Statements

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### NOTE 7 - OPERATING LEASES (Continued)

The Board entered into a new lease for office space effective September 1, 2016 through December 31, 2027. The lease calls for free rents for the first four months with escalating rent payments beginning at \$14,027 per month in months five through twelve and increasing approximately three percent per year thereafter.

Future minimum lease payments are as follows:

<u>Years Ending November 30:</u>	
2016	\$ 136,483
2017	170,251
2018	175,359
2019	180,619
2020	186,038
Thereafter	<u>1,239,471</u>
	<u>\$ 2,088,221</u>

### NOTE 8 - RETIREMENT PLANS

The Board participates in the North Carolina Licensing Boards' Retirement Savings Plan (Plan) which is a multiple employer, cost-sharing defined contribution plan. Participating employees are required to contribute 6% of their gross pay and the Board matches those contributions 100%. Employees may also make voluntary contributions to the Plan over their 6% contribution. Employees are eligible to participate in the Plan immediately upon employment. Employees' contributions are immediately vested and the Board's contributions are 100% vested after five years of credited service. The Plan is administered by Prudential Insurance Company of America. The Board's contributions for the years ended November 30, 2015 and 2014 totaled \$62,502 and \$65,132, respectively, net of forfeitures of \$4,925 in 2015 and \$0 in 2014. Employee contributions for the years ended November 30, 2015 and 2014 totaled \$114,099 and \$104,872, respectively.

### NOTE 9 - 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. Tort claims of Board members 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 building and contents, commercial liability, workers compensation and employers' liability, and vehicle.

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Notes to Financial Statements**

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**NOTE 10 - RECLASSIFICATION**

Certain amounts have been reclassified in the 2014 financial statements in order to conform to the 2015 presentation.

**NOTE 11 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through July 12, 2016, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed, other than the new lease agreement discussed in Note 7.

The Board audit was conducted in approximately 80 hours at a cost of \$9,300.

**SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget**  
**Years Ended November 30, 2015 and 2014**

	2015			2014		
	(Unaudited) Budget	Actual	Over (Under) Budget	(Unaudited) Budget	Actual	Over (Under) Budget
<b>Revenues:</b>						
Examination fees	\$ -	\$ 550	\$ 550	\$ 262,500	\$ 234,240	\$ (28,260)
Licensing fees	2,405,000	2,449,450	44,450	2,383,300	2,430,950	47,650
Other	3,600	(1,682)	(5,282)	6,600	4,726	(1,874)
Civil penalties collected	-	21,000	21,000	-	30,500	30,500
Total revenues	<u>2,408,600</u>	<u>2,469,318</u>	<u>60,718</u>	<u>2,652,400</u>	<u>2,700,416</u>	<u>48,016</u>
<b>Expenses:</b>						
Personnel	1,471,488	1,465,082	(6,406)	1,445,967	1,431,790	(14,177)
Examination	-	-	-	230,000	260,450	30,450
Office and board	862,962	555,057	(307,905)	756,760	538,676	(218,084)
Legal, accounting, and audit	29,000	55,012	26,012	28,500	94,283	65,783
Depreciation	-	40,251	40,251	-	73,564	73,564
Other	-	206	206	-	-	-
Civil penalties remitted	-	19,000	19,000	-	29,500	29,500
Other- digital improvements	-	-	-	175,000	-	(175,000)
Total expenses	<u>2,363,450</u>	<u>2,134,608</u>	<u>(228,842)</u>	<u>2,636,227</u>	<u>2,428,263</u>	<u>(207,964)</u>
Changes in net position	45,150	334,710	289,560	16,173	272,153	255,980
Net position - beginning of year	<u>1,406,881</u>	<u>1,406,881</u>	<u>-</u>	<u>1,134,728</u>	<u>1,134,728</u>	<u>-</u>
Net position - end of year	<u>\$ 1,452,031</u>	<u>\$ 1,741,591</u>	<u>\$ 289,560</u>	<u>\$ 1,150,901</u>	<u>\$ 1,406,881</u>	<u>\$ 255,980</u>