

NORTH CAROLINA APPRAISAL BOARD

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

NORTH CAROLINA APPRAISAL BOARD

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	5
<i>Financial Statements</i>	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10

NORTH CAROLINA APPRAISAL BOARD

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

The following is a discussion and analysis of the North Carolina Appraisal Board's (the "Board") financial performance for the fiscal year ended June 30, 2016. The following 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 years are presented in the analysis.

Financial Highlights

The operating revenues of the Board decreased \$81,064 or 5.96%. The reason for the decrease was due to a decrease in Appraisal Management Company applications, a decrease in appraiser renewal fees, a decrease in continuing education roster fees and a decrease in license history fees. Management has felt for some time that AMC applications would taper off and the Board only received eight new applications in 2015-16. Since the application fee is \$3,500 the difference between the nineteen applications received in 2014-15 and the eight received this past year is quite significant. Appraiser renewal fees are more concerning as it indicates that appraisers are still exiting the profession at a higher rate than new appraisers are coming in. The percentage of renewals has remained somewhat steady but the compound effect of having fewer appraisers each year is impacting the renewal fees received. Management does not see a trend in North Carolina that is significantly different than what is being seen nationwide. The decrease in continuing education roster fees was expected as this was the year that only the 7-Hour USPAP update course was required in order to renew an appraisal license or registration. The decrease in License History fees was due to the Appraisal Board taking the action, after hearing numerous concerns from Appraisal Management Companies, to charge the license history fee only once per company or appraiser per year and view any additional license histories as duplicates. This was due to the unexpected consequence of other states requiring proof of licensure and good standing for new applications and in some cases renewals, resulting in multiple fees for one AMC.

Non-operating revenues were down \$366, or 13.76% due to continued low interest rates. Management, in consultation with the Finance Committee, did make the decision to invest a significant portion of the Board's reserve funds into a CD ladder in which the certificates of deposit mature every six months on a rotating basis so that cash is consistently available if necessary but yields a better return than the current account which diversified the funds but had virtually no interest.

The operating expenses of the Board increased by \$84,276 or 6.5%. The increase in expenses was due to increased personnel costs, staff expenses, building expenses and the offer of USPAP books to licensees. Staff expenses increased due to the 1% bonus that staff received in 2015-2016 as well as increases to some employees' longevity bonuses due to their length of service. Staff expenses increased due to increased investigation travel as well as the Spring AARO conference being a slightly longer trip. Building expenses were higher due to the costs of repairing a basement leak as well as maintenance done to the storm water management system. The largest increase in expenses was the purchase of USPAP books for all licensees who wished to receive one. The Board generally offers to purchase USPAP books, in even years when a new edition comes out, for any appraiser who pays the shipping cost. Historically, USPAP books purchased is between 1600-1800 books at a gross expense of \$40 per book. This year the cost was \$66,703 with \$16,460 reimbursed by appraisers for shipping cost.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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 report information about the Board using accounting methods similar to those used by companies in the private sector. 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 net position 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.

The following presents condensed financial information for Board operations as of and for the year ended June 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 2,108,401	\$ 2,656,657	\$ 2,579,588
Non-current assets	549,602	39,446	97,290
Capital assets - net of depreciation	<u>2,197,691</u>	<u>2,265,728</u>	<u>2,234,140</u>
Total assets	<u>4,855,694</u>	<u>4,961,831</u>	<u>4,911,018</u>
Current liabilities	1,040,088	1,049,548	1,065,045
Non-current liabilities	<u>49,763</u>	<u>47,222</u>	<u>47,400</u>
Total liabilities	<u>1,089,851</u>	<u>1,096,770</u>	<u>1,112,445</u>
Investment in capital assets	2,197,691	2,265,728	2,234,140
Unrestricted	<u>1,568,152</u>	<u>1,599,333</u>	<u>1,564,433</u>
Total net position	<u>\$ 3,765,843</u>	<u>\$ 3,865,061</u>	<u>\$ 3,798,573</u>
Operating revenues	\$ 1,280,116	\$ 1,361,180	\$ 1,337,540
Operating expenses	<u>1,381,628</u>	<u>1,297,352</u>	<u>1,272,947</u>
Operating income (loss)	<u>(101,512)</u>	<u>63,828</u>	<u>64,593</u>
Non-operating revenues	2,294	2,660	7,039
Changes in net position	<u>\$ (99,218)</u>	<u>\$ 66,488</u>	<u>\$ 71,632</u>

NORTH CAROLINA APPRAISAL BOARD

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Events Affecting Future Operations

Market Demand - The Appraiser Qualifications Board ("AQB") implemented changes in the education requirements to become a real estate appraiser beginning January 1, 2015. These changes, specifically a four year degree requirement for certification, will likely cause a decrease in the number of trainee applications as there is a smaller pool of candidates that meet this requirement. Trainees still find it difficult to find supervisors and many assignments do not allow trainees to be utilized. These obstacles are particularly discouraging to individuals who have undergone the time and expense to get a Bachelor's Degree. The AQB is currently evaluating ways and considering comments as to how candidates who have a college education may enter the profession without the additional time and expense necessary to complete the education and experience in the current criteria. Some modification of the criteria may be necessary before there is an increase in applicants for trainee registrations and appraiser certifications.

Application and Renewal Fees - Renewal fees have remained unchanged on appraiser licenses since 1994, but the cost of operations has steadily increased over time. Although certified appraisers are continuing to renew at a high rate, the number of new applications are not quite keeping up with the number retiring or leaving the profession each year and this is slowly impacting the amount of revenue from appraiser applications and renewal fees. The additional revenue, received from the registration of Appraisal Management Companies, has delayed the need to consider a fee increase, but those new applications are beginning to decline and it remains to be seen how many Appraisal Management Companies will continue to operate in the state. Management needs to continue to closely monitor the change in revenue and expenses and consider what changes may be necessary if the trend continues of having fewer appraisers and a smaller number of complaints received from the public against appraisers and AMCs. The Board has created a Long Range Planning committee to consider necessary changes to the makeup of staff and other operating costs.

Technology Upgrades - The Board contracts out the monitoring, maintenance and updating of the computer system which is a higher monthly cost, but reduces risk both financially and from the possible loss of information due to a system crash. Management recommended the Board begin the process of transitioning to a computerized application, record keeping, and case management, including an online payment system for applications and renewals. The Board entered into a contract with Accela, Inc. in April 2014, to provide this system and also agreed to prepay 3 years of maintenance and support in order to obtain a 15% discount. Although the maintenance and support subscription will show as an expense well into the 2016-2017 budget year, there will actually be funds being replenished into reserves. There was a delay in the implementation of the database which resulted in a six-month credit for the maintenance and support fee. As the project is nearing implementation the Board needs to consider ways that the new system and other technology may be utilized to increase efficiency and reduce personnel and board expenses.

Cash Reserves - The Board continues to have reserved unrestricted net assets necessary to cover operations, potential legal matters and any possible repairs to fixed assets. Management feels that most of the reserves are adequate at this time but recommends that additional technology funds be set aside to replenish those spent on the implementation of the database. This recommendation is to allow for future expenses such as redesign of the website, replacement of the server, and future technology that may be required to conduct virtual meetings and/or conferences.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

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 Appraisal Board, 5830 Six Forks Road, Raleigh, North Carolina 27609.

Independent Auditor's Report

Members of the Board
North Carolina Appraisal Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Appraisal Board (the "Board"), an enterprise fund of the state of North Carolina, which comprise the statements of net position as of June 30, 2016 and 2015, 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 basic 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 audits to obtain reasonable assurance about whether the basic 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 basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 Appraisal Board as of June 30, 2016 and 2015, 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, the financial statements are presented only for the North Carolina Appraisal Board and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2016 and 2015, and 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 1 - 4, 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
September 22, 2016

NORTH CAROLINA APPRAISAL BOARD
Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Current assets:		
Cash	\$ 1,845,409	\$ 2,597,393
Investments	200,000	-
Accounts receivable	32,074	-
Prepaid subscription fees	25,702	52,590
Other current assets	5,216	6,674
Total current assets	<u>2,108,401</u>	<u>2,656,657</u>
Non-current assets:		
Investments	549,602	-
Prepaid subscription fees	-	39,446
Total non-current assets	<u>549,602</u>	<u>39,446</u>
Capital assets - net:		
Land	440,000	440,000
Building	1,577,438	1,651,682
Furniture, equipment and software	180,253	174,046
Total capital assets - net	<u>2,197,691</u>	<u>2,265,728</u>
Total assets	<u>4,855,694</u>	<u>4,961,831</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	21,253	13,606
Payroll liabilities	8,849	1,861
National Registry fees payable	78,385	101,665
Unearned revenues	931,601	932,416
Total current liabilities	<u>1,040,088</u>	<u>1,049,548</u>
Non-current liabilities:		
Accrued vacation	49,763	47,222
Total non-current liabilities	<u>49,763</u>	<u>47,222</u>
Total liabilities	<u>1,089,851</u>	<u>1,096,770</u>
NET POSITION:		
Invested in capital assets	2,197,691	2,265,728
Unrestricted	1,568,152	1,599,333
Total net position	<u>\$ 3,765,843</u>	<u>\$ 3,865,061</u>

NORTH CAROLINA APPRAISAL BOARD
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Renewal fees	\$ 1,022,201	\$ 1,051,900
Application fees	46,800	88,500
National Registry fees	61,920	61,900
Licensee rosters	425	320
Reciprocity	16,000	16,600
Course approval	8,100	8,600
Temporary permit applications	56,700	55,200
Supervisor training course	-	1,700
USPAP	16,460	-
CE roster fees	24,755	37,265
Civil penalties received	15,000	12,000
Other	11,755	27,195
Total operating revenues	<u>1,280,116</u>	<u>1,361,180</u>
Operating expenses:		
Personnel costs	692,165	680,928
Insurance	103,950	101,977
Staff expenses	44,576	34,628
Legal	138,926	135,952
Board member expenses	61,311	66,624
Professional fees	7,100	6,900
Building expenses	55,243	46,019
Office operations	74,803	67,532
Depreciation	82,442	85,639
Subscription fees	34,260	54,287
USPAP	66,703	-
Supervisor training course	-	389
Civil penalties remitted	15,000	12,000
Other	5,149	4,477
Total operating expenses	<u>1,381,628</u>	<u>1,297,352</u>
Operating income (loss)	<u>(101,512)</u>	<u>63,828</u>
Non-operating revenues (expenses):		
Interest income	2,892	2,797
Unrealized loss	(598)	-
Loss on disposal of equipment	-	(137)
Total non-operating revenues	<u>2,294</u>	<u>2,660</u>
Changes in net position	(99,218)	66,488
Net position - beginning of year	<u>3,865,061</u>	<u>3,798,573</u>
Net position - end of year	<u>\$ 3,765,843</u>	<u>\$ 3,865,061</u>

See Notes to Financial Statements

NORTH CAROLINA APPRAISAL BOARD
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from fees	\$ 1,279,301	\$ 1,337,596
Cash payments to employees for services	(682,636)	(679,245)
Cash payments to suppliers for goods and services	(475,900)	(359,616)
Cash payments for other operating expenses	(111,036)	(106,118)
Net cash provided by operating activities	<u>9,729</u>	<u>192,617</u>
Cash flows from investing activities:		
Purchase of investments	(750,200)	-
Interest on investments	2,892	2,797
Net cash provided by (used in) investing activities	<u>(747,308)</u>	<u>2,797</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,405)	(117,364)
Net cash used in capital and related financing activities	<u>(14,405)</u>	<u>(117,364)</u>
Increase (decrease) in cash	(751,984)	78,050
Cash - beginning of year	<u>2,597,393</u>	<u>2,519,343</u>
Cash - end of year	<u>\$ 1,845,409</u>	<u>\$ 2,597,393</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (101,512)	\$ 63,828
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	82,442	85,639
Changes in assets and liabilities:		
Accounts receivable	(32,074)	-
Other current assets	1,458	(2,029)
Prepaid subscription fees	66,334	60,854
Accounts payable	7,647	(1,854)
National Registry fees payable	(23,280)	8,080
Payroll liabilities	6,988	1,861
Unearned revenues	(815)	(23,584)
Accrued vacation	2,541	(178)
Total adjustments	<u>111,241</u>	<u>128,789</u>
Net cash provided by operating activities	<u>\$ 9,729</u>	<u>\$ 192,617</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Appraisal Board (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93E of the *North Carolina General Statutes*. The Board members are appointed by the Governor, the Speaker of the House, and the President Pro Tempore of the Senate.

The Board's function is to maintain minimum standards for services provided by appraisers and Appraisal Management Companies. The Board's operations are funded primarily through license renewal fees and license application 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 ("GAAP"), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

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

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

The accompanying basic financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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.

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 recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board classifies its revenues and expenses 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 license renewal fees. Operating expenses are all expense transactions 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 include activities that have characteristics of non-exchange transactions and consist primarily of investment activities.

Cash

This classification 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 a maturity of three months or less when purchased to be cash.

Investments

Investments consist of certificates of deposit and are recorded at fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$2,500 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	5 - 39 years
Furniture, equipment and software	3 - 7 years

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.

Accrued Vacation Pay

The vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. There is no liability for unpaid accumulated sick leave because the Board has no obligation to pay sick leave upon employee termination or retirement.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the accounting period. Licenses are renewed for a period of one fiscal year. Renewal fees received prior to the end of the fiscal year are deferred and recognized as revenue in the period to which they relate.

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 - 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.

Designations of net position represent tentative management plans that are subject to change based on perceived operating conditions and situations.

Designated amounts as of June 30, 2016 were as follows:

Annual leave	\$ 56,000
Operating expenses	600,000
Replace fixed assets	75,000
Litigation	350,000
Technology	115,876
Total designated balances	<u><u>\$1,196,876</u></u>

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms and include cash and money market accounts and funds invested in an Insured Cash Sweep ("ICS") account. Investments consist of certificates of deposit ("CDs") invested in a CD Ladder managed by a financial institution.

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 collateral securities that are in the possession of an outside party.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Board maintains an account through a financial institution's insured cash sweep program ("ICS"), which insures amounts up to \$75 million. At June 30, 2016, the bank balance in this account was \$1,133,489.

The Board's remaining accounts are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation ("FDIC") and the National Credit Union Administration ("NCUA") up to \$250,000 per institution. At June 30, 2016, the Board's uninsured cash balances totaled \$236,130. Throughout the fiscal year, the Board's deposits exceeded the amounts insured by the FDIC and NCUA.

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 manages its exposure to declines in fair values by monitoring the maturities in its investment portfolio.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are currently limited to certificates of deposit.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at June 30, 2016, for the Board's investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Properties of Debt Securities</u>	
		<u>Weighted Average Maturities</u>	<u>Ratings</u>
Other Securities:			
Certificates of deposit	<u>\$ 749,602</u>	32.2 Months	N/A

Certificates of deposit reported as investments are also a component of the deposits with private financial institutions below.

Carrying amount of deposits with private financial institutions	\$ 1,589,125
Money market mutual funds	256,284
Investments in certificates of deposit	749,602
Total deposits and investments	<u>\$ 2,595,011</u>
Current:	
Cash	\$ 1,845,409
Short-term investments	200,000
Noncurrent:	
Investments	549,602
Total deposit and investments	<u>\$ 2,595,011</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 3 - CAPITAL ASSETS

Capital assets consist of the following:

	<u>Cost</u> <u>6/30/2015</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2016</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	737,500	1,577,438
Furniture/ equipment/ software	403,435	14,405	12,942	404,898	224,645	180,253
	<u>\$ 3,158,373</u>	<u>\$ 14,405</u>	<u>\$ 12,942</u>	<u>\$ 3,159,836</u>	<u>\$ 962,145</u>	<u>\$ 2,197,691</u>

	<u>Cost</u> <u>6/30/2014</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2015</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	663,256	1,651,682
Furniture/ equipment	290,577	117,364	4,506	403,435	229,389	174,046
	<u>\$ 3,045,515</u>	<u>\$ 117,364</u>	<u>\$ 4,506</u>	<u>\$ 3,158,373</u>	<u>\$ 892,645</u>	<u>\$ 2,265,728</u>

NOTE 4 - RETIREMENT PLAN

The Board has a simplified employee pension (SEP) plan covering all eligible employees with no waiting period. For the years ended June 30, 2016 and 2015, the Board contributed 10%, or \$58,575 and \$57,808, respectively, on behalf of its employees. Employee contributions for the years ended June 30, 2016 and 2015 totaled \$32,306 and \$30,383, respectively. The Board has authority over the SEP plan.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows:

<u>Balance</u> <u>7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2016</u>
<u>\$ 47,222</u>	<u>\$ 43,614</u>	<u>\$ 41,073</u>	<u>\$ 49,763</u>

<u>Balance</u> <u>7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2015</u>
<u>\$ 47,400</u>	<u>\$ 42,148</u>	<u>\$ 42,326</u>	<u>\$ 47,222</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 6 - LEASE COMMITMENTS

The Board has operating leases for two copiers and a postage machine. For the fiscal years ended June 30, 2016 and 2015, lease expense was \$6,641 and \$7,368, respectively. The following is a schedule of future minimum lease payments required under the leases:

<u>Years Ending June 30:</u>	
2017	\$ 6,624
2018	6,624
2019	6,624
2020	4,356
2021	3,267
Total	<u>\$ 27,495</u>

NOTE 7 - 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 managed using a combination of the purchase of commercial insurance and various State coverages. 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.

NOTE 8 - COMMITMENTS

In March 2014, the Board entered into a contract for the installation of a new software system. Subscription fees totaling \$166,790 were paid in April 2014 and cover the three-year period of March 31, 2014 through March 30, 2017. Of this amount, \$54,287 and \$13,900 was expensed during the years ended June 30, 2015 and 2014, respectively and the balance of \$92,036 and \$152,890 was recorded as a prepaid asset as of June 30, 2015 and 2014, respectively. In 2016, the subscription contract amount was reduced by \$32,074 in the form of a credit memo to be applied against future charges, which is included in accounts receivable at June 30, 2016 and resulted in a reduction in subscription fees for the year ended June 30, 2016 of \$18,330 and a reduction in the prepaid subscription fees of \$13,744 at June 30, 2016.

Monthly progress payments under the Services Agreement totaling \$115,915 and \$45,050 were paid and capitalized during the years ended June 30, 2015 and 2014, respectively. No progress billings were invoiced during the year ended June 30, 2016. The final progress billing of \$22,525 and change orders totaling \$22,203 will be invoiced upon completion of the database conversion which the Board anticipates during the fiscal year ending June 30, 2017.

The Board renewed its twelve-month agreement for landscaping services beginning in July 2015, payable in monthly installments of \$450. Either party may discontinue the contract by giving thirty days written notice.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 9 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 22, 2016, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 70 hours at a total cost of \$8,000.