

NORTH CAROLINA LOCKSMITH LICENSING BOARD

**Financial Statements for the
Year Ended June 30, 2016 and
Independent Auditor's Report**

NORTH CAROLINA LOCKSMITH LICENSING BOARD

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Independent Auditor's Report**

BOARD MEMBERS (2016)

Steve Stroud, Chairman

James Storie, Vice Chairman

D. Steve Bright, Secretary-Treasurer

K. Reid Barbee

Philip J. Lanier

Rafe Rountree

Melanie Wade Goodwin, Public Member

William P. Harrell, Jr, Public Member

Keith Throckmorton, Public Member

BOARD ADMINISTRATOR

Barden Culbreth, Executive Director

LEGAL COUNSEL

North Carolina Department of Justice

NORTH CAROLINA LOCKSMITH LICENSING BOARD

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NORTH CAROLINA LOCKSMITH LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ended June 30, 2016. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2016, the Board's net position decreased by \$2,724 or 3.2%, due primarily to a significant decrease in revenues.

During 2016 the operating revenues of the Board decreased by \$54,770, or 51.7%, due primarily to a decrease in license fees, license renewal fees, reinstatement fees and SBI fees.

During 2016, the non-operating revenues of the Board decreased by \$1, or 2.8%, an insignificant change.

During 2016, the operating expenses of the Board decreased by \$568, or 1.0%, due primarily to a decrease in board member expenses, certain office related costs and SBI fees (which were reimbursed).

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 Governmental Accounting Standards Board (GASB) Statement No. 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic Financial Statements

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

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Board's assets changed as a result of its operations.

The Statement of Cash Flows presents information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA LOCKSMITH LICENSING BOARD

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, 2016 | Prior Year as of and for the year ended June 30, 2015 |
|------------------------|--|--|
| Current assets | \$ 89,025 | \$ 92,586 |
| Total assets | <u>\$ 89,025</u> | <u>\$ 92,586</u> |
| Current liabilities | \$ 5,965 | \$ 6,802 |
| Total liabilities | <u>\$ 5,965</u> | <u>\$ 6,802</u> |
| Unrestricted | \$ 83,060 | \$ 85,784 |
| Total net position | <u>\$ 83,060</u> | <u>\$ 85,784</u> |
| Operating revenues | \$ 51,120 | \$ 105,890 |
| Operating expenses | (53,879) | (54,447) |
| Operating income | <u>\$ (2,759)</u> | <u>\$ 51,443</u> |
| Non-operating revenues | 35 | 36 |
| Change in net position | <u>\$ (2,724)</u> | <u>\$ 51,479</u> |

Events Affecting Future Operations

The Board has no significant events affecting future operations which are reportable pursuant to GASB 34.

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 Locksmith Licensing Board, P.O. Box 10972, Raleigh, North Carolina 27605-0972.

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Certified Public Accountants

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Facsimile: (919) 639-3102

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Locksmith Licensing Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board Locksmith Licensing Board (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise the Board's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements based on the audit. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditors consider internal control relevant to the entity's preparation of fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Locksmith Licensing Board as of June 30, 2016, and the results of its operations, changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, NC

October 11, 2016

NORTH CAROLINA LOCKSMITH LICENSING BOARD
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016

| | June 30, 2016 |
|---|---|
| | Proprietary- Enterprise Fund |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents (Note 2) | \$ 89,025 |
| Total current assets | 89,025 |
| TOTAL ASSETS | \$ 89,025 |
| LIABILITIES AND NET POSITION | |
| Current liabilities: | |
| Accounts payable | \$ 4,616 |
| Due to other state agencies | 1,349 |
| Total current liabilities | 5,965 |
| TOTAL LIABILITIES | 5,965 |
| NET POSITION (NOTE 4) | |
| Unrestricted net position | 83,060 |
| TOTAL NET POSITION | 83,060 |
| TOTAL LIABILITIES AND NET POSITION | \$ 89,025 |

See notes to financial statements.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

| | <u>2016</u> | |
|---|---|---------|
| | Proprietary- Enterprise Fund | |
| OPERATING REVENUES: | | |
| License fees, exam fees, and SBI fees | \$ | 48,756 |
| Other income | | 2,364 |
| Total operating revenues | \$ | 51,120 |
| OPERATING EXPENSES: | | |
| Contracted management services - administrative fees (Note 5) | \$ | 18,100 |
| Board per diem expense (including meals and transportation) | | 919 |
| Hearing expense | | 639 |
| Website expenses | | 480 |
| Legal and accounting fees | | 5,368 |
| Investigative expense | | 7,052 |
| SBI fees | | 3,206 |
| Telephone expense | | 802 |
| Mailing/postage expense | | 1,638 |
| Office supplies expense | | 1,497 |
| Insurance expense | | 1,677 |
| Public awareness and education expense | | 11,715 |
| Bank charges | | 54 |
| Miscellaneous expense | | 732 |
| Total operating expenses | \$ | 53,879 |
| Operating income | \$ | (2,759) |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Interest income | \$ | 35 |
| Total non-operating revenues | | 35 |
| Change in net position | \$ | (2,724) |
| Net position - beginning of year | | 85,784 |
| Net position - end of year | \$ | 83,060 |

See notes to financial statements.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

| | <u>2016</u> |
|---|---|
| | Proprietary- Enterprise Fund |
| Cash flows from operating activities: | |
| Cash received from fees and other revenues | \$ 51,120 |
| Cash payments for operating expenses | (53,994) |
| Net cash provided by operating activities | \$ (2,874) |
| Cash flows from investing activities: | |
| Interest on investments | \$ 35 |
| Net cash provided by investing activities | \$ 35 |
| Net increase in cash | \$ (2,839) |
| Cash - beginning of year | 91,864 |
| Cash - end of year | \$ 89,025 |
| Reconciliation of operating income | |
| to net cash provided by operating activities: | |
| Operating income | \$ (2,759) |
| Adjustments to reconcile operating income | |
| to net cash provided by operating activities: | |
| Changes in assets and liabilities: | |
| Other receivables | \$ 722 |
| Accounts payable | (837) |
| Total adjustments | \$ (115) |
| Net cash provided by operating activities | \$ (2,874) |

See notes to financial statements.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Locksmith Licensing Board (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 74F of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the General Assembly and the Governor of the State of North Carolina. It 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).

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

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

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

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

Reporting Entity

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.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith presents a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

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

The financial statements report all activities of the North Carolina Locksmith Licensing Board using the economic resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable, regardless of the timing of cash flows.

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. 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 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.

Fair Value of Financial Instruments

The carrying amounts of the Board's financial instruments approximate their fair value.

Income Taxes

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

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.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 2 - Cash and Cash Equivalents

Deposits in Bank(s)

All of the Board's deposits which are uninsured (if any) 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 policies regarding custodial credit risk for deposits.

At June 30, 2016, the Board's deposits in banks had a carrying amount of \$89,025 and a bank balance of \$90,377 which was covered by federal depository insurance.

Note 3 - Unearned Revenue

The Board's license fees are assessed and collected every three years, which begins with each respective licensee's license inception date, and ends on each respective licensee's subsequent third year anniversary date. Licenses are renewed for a period of three years. License renewal fees are recognized as revenue in the period received and are not deferred and recognized as revenue over the periods to which they relate. This revenue recognition method reasonably reflects income of the Board.

Note 4 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation. The board had no capital assets at year end.

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.

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

Note 5 - Contracted Management Services

The Board does not have any employees. The Board contracts with a management consultant service to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other clerical duties. Payments to the management service totaled \$18,100 during the fiscal year ended June 30, 2016.

NORTH CAROLINA LOCKSMITH LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 6 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in 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.

Note 7 - 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 year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 8 - Subsequent Events

Subsequent events have been evaluated through October 11, 2016, 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.

Note 9 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 38 audit hours at a cost of \$4,095.