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STATE BOARD OF
REGISTRATION FOR FORESTERS

Financial Statements

June 30, 2016 and 2015

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STATE BOARD OF REGISTRATION FOR FORESTERS
Management's Discussion and Analysis
June 30, 2016

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2016. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board remained stable, decreasing by \$236 or less than 1%.

The operating expenses of the Board also decreased by \$3,090 or 8.3%, primarily due to a decrease in personnel costs.

At year end, the Board's total operating income increased by \$2,854, and the total change in net position increased by \$2,904.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's financial statements, which are comprised of two components: 1) financial statements, and 2) notes to financial statements.

Financial Statements

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

The Statements of Net Position present the current and non-current 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 years' operations.

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

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

	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Current Assets	\$ 142,039	\$ 150,831
Equipment, net of Depreciation	413	
Total Assets	<u>142,452</u>	<u>150,831</u>
Total Liabilities	<u>17,040</u>	<u>30,563</u>
Total Net Position	<u>\$ 125,412</u>	<u>\$ 120,268</u>
Operating Revenues	\$ 38,181	\$ 38,417
Operating Expenses	<u>34,201</u>	<u>37,291</u>
Operating Income	3,980	1,126
Non-Operating Revenues	<u>1,164</u>	<u>1,114</u>
Change in Net Position	<u>\$ 5,144</u>	<u>\$ 2,240</u>

STATE BOARD OF REGISTRATION FOR FORESTERS
Management's Discussion and Analysis
June 30, 2016

Events Affecting Future Operations

The number of licensees is expected to remain consistent with past years. There are no known events that would affect future operations.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact: State Board of Registration for Foresters, P.O. Box 27393, Raleigh, North Carolina 27611-7393.

Board of Directors
State Board of Registration for Foresters
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the State Board of Registration for Foresters as of and for the years ended June 30, 2016 and 2015, and the related notes to the 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 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 financial statements are free from 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 judgment, including the assessment of the risk 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 includes evaluating the appropriateness of accounting principles 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 State Board of Registration for Foresters as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance 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 through 2 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Koonce, Wooden & Hayward, LLP

Raleigh, North Carolina
October 25, 2016

STATE BOARD OF REGISTRATION FOR FORESTERS

Statements of Net Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 89,936	\$ 99,096
Investments	52,028	51,660
Accrued Interest	75	75
Total Current Assets	<u>142,039</u>	<u>150,831</u>
Property and Equipment:		
Equipment	5,911	5,292
Accumulated Depreciation	<u>(5,498)</u>	<u>(5,292)</u>
Net Property and Equipment	<u>413</u>	<u></u>
Total Assets	<u>142,452</u>	<u>150,831</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable		3,683
Unearned Revenue	<u>17,040</u>	<u>26,880</u>
Total Liabilities	<u>17,040</u>	<u>30,563</u>
NET POSITION	<u>\$ 125,412</u>	<u>\$ 120,268</u>

The accompanying notes are an integral part of the financial statements.

STATE BOARD OF REGISTRATION FOR FORESTERS
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Renewal Fees	\$ 34,565	\$ 35,390
Application and Exam Fees	1,425	1,095
Registration Fees	1,453	1,279
Late Payment Fees	<u>738</u>	<u>653</u>
Total Operating Revenues	<u>38,181</u>	<u>38,417</u>
OPERATING EXPENSES:		
Administrative Services	23,341	23,577
Postage and Box Rent	1,041	2,460
Board Member Travel and Per Diem	3,511	2,227
Audit Fee	2,400	2,350
Legal Fee	1,421	
Printing	13	572
Telephone	751	1,522
Miscellaneous	900	3,097
Office Supplies	425	841
Depreciation	206	238
Exam Cost		119
Insurance	192	188
Dues		<u>100</u>
Total Operating Expenses	<u>34,201</u>	<u>37,291</u>
OPERATING INCOME	3,980	1,126
NON-OPERATING REVENUES:		
Interest Income	<u>1,164</u>	<u>1,114</u>
CHANGES IN NET POSITION	5,144	2,240
NET POSITION--Beginning of Year	<u>120,268</u>	<u>118,028</u>
NET POSITION--End of Year	<u>\$ 125,412</u>	<u>\$ 120,268</u>

The accompanying notes are an integral part of the financial statements.

STATE BOARD OF REGISTRATION FOR FORESTERS
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

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CHANGES IN NET POSITION	5,144	2,240
NET POSITION--Beginning of Year	<u>120,268</u>	<u>118,028</u>
NET POSITION--End of Year	<u>\$ 125,412</u>	<u>\$ 120,268</u>

The accompanying notes are an integral part of the financial statements.

STATE BOARD OF REGISTRATION FOR FORESTERS
 Statements of Cash Flows
 For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Fees	\$ 28,341	\$ 41,813
Cash Payments for Operating Expenses	<u>(37,678)</u>	<u>(35,366)</u>
Net Cash Provided (Used) by Operating Activities	<u>(9,337)</u>	<u>6,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(368)	(334)
Interest on Investments	1,164	1,114
Purchase of Equipment	<u>(619)</u>	<u></u>
Net Cash Provided by Investing Activities	<u>177</u>	<u>780</u>
NET INCREASE (DECREASE) IN CASH	(9,160)	7,227
CASH--Beginning of Year	<u>99,096</u>	<u>91,869</u>
CASH--End of Year	<u>\$ 89,936</u>	<u>\$ 99,096</u>
Reconciliation of Operating Income to		
Net Cash Provided (Used) by Operating Activities:		
Operating Income	\$ 3,980	\$ 1,126
Adjustments to Reconcile Income from Operations		
to Net Cash Provided by Operating Activities:		
Depreciation	206	238
Changes in Assets and Liabilities:		
Accrued Interest		36
Accounts Payable	(3,683)	1,687
Unearned Revenue	<u>(9,840)</u>	<u>3,360</u>
Net Cash Provided by Operating Activities	<u>\$ (9,337)</u>	<u>\$ 6,447</u>

The accompanying notes are an integral part of the financial statements.

STATE BOARD OF REGISTRATION FOR FORESTERS

Notes to Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

A. Description of Organization:

The State Board of Registration for Foresters (the "Board") is established under Chapter 89B of the North Carolina General Statutes to maintain minimum standards for services provided by foresters. The Board's operations are funded primarily through license renewal fees and license application fees.

The Board is considered an agency of the State of North Carolina for financial reporting purposes. The Board members are appointed by the Governor, the Speaker of the House, and the Present Pro Tempore of the Senate.

B. 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 the changes in the State's financial position and cash flows.

C. 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. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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.

D. Basis of Accounting:

In accordance with *Statement of Governmental Accounting Standards 34*, the Board 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 financial statements report all activities of the State Board of Registration for Foresters using the 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.

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. Non-operating revenues consist of those revenues that are related to investing types of activities and are classified as non-operating in the financial statements.

STATE BOARD OF REGISTRATION FOR FORESTERS

Notes to Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

E. Cash:

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.

F. Property and Equipment:

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board's policy is to capitalize property and equipment when acquired at a cost of \$300 or more. A summary follows:

	Beginning Balance 6/30/2015	Additions	Retirements	Ending Balance 6/30/2016
Equipment	\$ 5,292	\$ 619	\$	\$ 5,911
Less Accumulated Depreciation	(5,292)	(206)		(5,498)
Capital Assets, net	<u>\$ 0</u>	<u>\$ 413</u>	<u>\$ 0</u>	<u>\$ 413</u>
	Beginning Balance 6/30/2014	Additions	Retirements	Ending Balance 6/30/2015
Equipment	\$ 5,292	\$	\$	\$ 5,292
Less Accumulated Depreciation	(5,054)	(238)		(5,292)
Capital Assets, net	<u>\$ 238</u>	<u>\$ (238)</u>	<u>\$ 0</u>	<u>\$ 0</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the financial records. Any gain or loss on disposition is reflected in the earnings for the period.

G. Unearned Revenue:

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. License renewal fees received prior to the end of the fiscal year are deferred and recognized as revenue over the one-year period to which they relate.

H. Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Subsequent Events:

Management evaluated subsequent events through October 25, 2016, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

2. Deposits and Investments

Custodial Credit Risk. The Board maintains cash balances and certificates of deposit with one financial institution. There were no deposits which exceeded the insurance coverage provided by the National Credit Union Association at year-end.

STATE BOARD OF REGISTRATION FOR FORESTERS
Notes to Financial Statements
June 30, 2016 and 2015

2. Deposits and Investments (Continued)

Certificates of deposit are purchased with original maturities of six months or less. The book and market value of the certificates at June 30, 2016 and 2015 were \$52,028 and \$51,660, respectively.

3. Risk Management

Risk of loss relative to dishonesty and damage or destruction of assets is covered by private insurance.

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 up to \$1,000,000 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 amount of coverage per person is \$10,000,000.