

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**

**Financial Statements and  
Supplemental Schedules for the  
Year Ended June 30, 2017 and  
Independent Auditor's Report**

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**

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Supplemental Schedules for the  
Year Ended June 30, 2017 and  
Independent Auditor's Report**

**BOARD MEMBERS (2017)**

Gary Boyd, Chairman

Lisa L. Brown, Vice Chairwoman

Daniel H. Devane

Susan Rogers Holder

William B. Lilly, Jr.

**EXECUTIVE OFFICER**

Charles F. Diehl, Executive Director

**LEGAL COUNSEL**

North Carolina Department of Justice

# NORTH CAROLINA AUCTIONEER LICENSING BOARD

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# **NORTH CAROLINA AUCTIONEER LICENSING BOARD**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ended June 30, 2017. Please read it in conjunction with the financial statements which follow this section.

### **Financial Analysis**

During 2017, the Board's net position for its Operating Fund increased by \$22,228, or 2.6%, due primarily to a consistent recurrence of revenues exceeding expenses. During 2017, the Board's net position for its Recovery Fund increased by \$11,678, or 3.0%, due primarily to a consistent recurrence of revenues exceeding expenses.

During 2017, the Board's operating revenues for its Operating Fund increased by \$613, or .2%, due primarily to an increase in auctioneer licenses fees. During 2017, the Board's operating revenues for its Recovery Fund increased by \$1,750, or 28.7%, due to the fact that the recovery fund collected more recovery fund fees in the current year.

During 2017, the Board's non-operating revenues (net of non-operating expense) for its Operating Fund increased by \$4,247, or 51.7%, due primarily to an increase in interest income during the current year. During 2017, the Board's non-operating revenues for its Recovery Fund increased by \$1,100, or 40.3%, due primarily to an increase in interest earnings rates.

During 2017, the Board's operating expenses for its Operating Fund increased by \$9,909, or 2.9%, due primarily to an increase in salaries and wages, and an increase in contracted temporary wages. During 2017, the Board's operating expenses for its Recovery Fund decreased by \$5,950, or 100.0%, due to the fact that there were no recovery fund claims awarded and paid during the year ended June 30, 2017, whereas there were recovery fund claims awarded and paid during the year ended June 30, 2016.

### **Overview of the Basic Financial Statements**

This financial report consists of two primary sections: Management's Discussion and Analysis and the Financial Statements. The Board has also presented other supplementary information required by GASB, which reports the Board's progress in funding pension benefits to its employees. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board. The Statements of Net Position present the current and long-term portions of assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations. The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

# NORTH CAROLINA AUCTIONEER 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, 2017 Operating Fund	Current Year as of and for the year ended June 30, 2017 Recovery Fund	Current Year as of and for the year ended June 30, 2016 Operating Fund	Current Year as of and for the year ended June 30, 2016 Recovery Fund
Current assets	\$ 768,125	\$ 394,690	\$ 758,996	\$ 383,012
Capital assets	648,705		662,263	
Total assets	<u>\$ 1,416,830</u>	<u>\$ 394,690</u>	<u>\$ 1,421,259</u>	<u>\$ 383,012</u>
Deferred outflows for pensions	\$ 54,299	\$	\$ 10,539	\$
Total deferred outflows of resources	<u>\$ 54,299</u>	<u>\$ 0</u>	<u>\$ 10,539</u>	<u>\$ 0</u>
Current liabilities	\$ 502,550	\$	\$ 327,489	\$
Non-current liabilities	22,158		245,360	
Total liabilities	<u>\$ 524,708</u>	<u>\$ 0</u>	<u>\$ 572,849</u>	<u>\$ 0</u>
Deferred inflows for pensions	\$ 71,690	\$	\$ 6,446	\$
Total deferred inflows of resources	<u>\$ 71,690</u>	<u>\$ 0</u>	<u>\$ 6,446</u>	<u>\$ 0</u>
Net investment in capital assets	\$ 441,256	\$	\$ 416,722	\$
Restricted - expendable		194,690		183,012
Restricted - nonexpendable		200,000		200,000
Unrestricted	433,475		435,781	
Total net position	<u>\$ 874,731</u>	<u>\$ 394,690</u>	<u>\$ 852,503</u>	<u>\$ 383,012</u>
Operating revenues	\$ 378,600	\$ 7,850	\$ 377,987	\$ 6,100
Operating expenses	<u>(352,403)</u>	<u></u>	<u>(342,494)</u>	<u>(5,950)</u>
Operating income	\$ 26,197	\$ 7,850	\$ 35,493	\$ 150
Non-operating revenues	<u>(3,969)</u>	<u>3,828</u>	<u>(8,216)</u>	<u>2,728</u>
Change in net position	<u>\$ 22,228</u>	<u>\$ 11,678</u>	<u>\$ 27,277</u>	<u>\$ 2,878</u>

### Events Affecting Future Operations

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

## **NORTH CAROLINA AUCTIONEER LICENSING BOARD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **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 Auctioneer Licensing Board, 108 Ber Creek Drive, Fuquay-Varina, North Carolina 27526.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountants**

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Angier, North Carolina 27501-1545

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Auctioneer Licensing Board  
Fuquay-Varina, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Auctioneer 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, 2017, 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 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 our 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 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 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 Auctioneer Licensing Board as of June 30, 2017, 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)

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Proportionate Net Pension Liability and the Schedule of Board Contributions (including Notes to the Schedule of Board Contributions) 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

September 15, 2017



**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2017**

	<b>June 30, 2017</b>	
	<b>Proprietary - Enterprise Funds</b>	
	<b>Operating Fund</b>	<b>Recovery Fund</b>
<b>ASSETS</b>		
Current assets:		
Cash in State Treasurer (Note 2)	\$ 767,409	\$ 394,323
Accrued interest receivable	580	367
Prepaid expense -office equipment lease	136	
Total current assets	<u>768,125</u>	<u>394,690</u>
Capital assets (Notes 1 and 3)		
Land	135,666	
Building and improvements	509,922	
Furniture and office equipment	3,117	
Total capital assets - net of depreciation	<u>648,705</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,416,830</u>	<u>\$ 394,690</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows for pensions (Note 8)	54,299	
Total deferred outflows of resources	<u>\$ 54,299</u>	<u>\$ 0</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 5,684	\$
Due to other state agencies	976	
Note payable - current portion (Note 6)	207,449	
Accrued salaries	2,982	
Accrued vacation - current portion (Notes 1 and 6)	4,459	
Unearned revenue (Note 4)	281,000	
Total current liabilities	<u>502,550</u>	<u>0</u>
Non-current liabilities:		
Accrued vacation - long-term portion (Notes 1 and 6)	17,837	
Net pension liability (Notes 1, 6 and 8)	4,321	
Total non-current liabilities	<u>22,158</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 524,708</u>	<u>\$ 0</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows for pensions (Note 8)	71,690	
Total deferred inflows of resources	<u>\$ 71,690</u>	<u>\$ 0</u>

See notes to financial statements.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2017**

	<b>June 30, 2017</b>	
	<b>Proprietary - Enterprise Funds</b>	
	<b>Operating Fund</b>	<b>Recovery Fund</b>
<b>NET POSITION (NOTE 5)</b>		
Net investment in capital assets	441,256	
Restricted net position - expendable		194,690
Restricted net position - nonexpendable		200,000
Unrestricted net position	433,475	
<b>TOTAL NET POSITION</b>	<b>\$ 874,731</b>	<b>\$ 394,690</b>

See notes to financial statements.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2017**

	<b>Year Ended June 30, 2017</b>	
	<b>Proprietary - Enterprise Funds</b>	
	<b>Operating Fund</b>	<b>Recovery Fund</b>
<b>OPERATING REVENUES:</b>		
Auctioneer licenses	\$ 281,700	\$
Apprentice auctioneer licenses	1,000	
Business licenses	67,350	
Examination fees	4,350	
Late fees and civil penalties (net of civil penalty transfers)	19,300	
Application fees (net of SBI fees)	4,900	
Recovery fund fees		7,850
	<u>378,600</u>	<u>7,850</u>
Total operating revenues	<u>\$ 378,600</u>	<u>\$ 7,850</u>
<b>OPERATING EXPENSES:</b>		
Salaries (including accumulated leave)	\$ 133,065	\$
Social security/medicare contributions	10,132	
Retirement system contributions (Note 8)	27,428	
Employee insurance	11,354	
Staff expenses - travel and other	3,862	
Contracted temporary wages	30,669	
Computer support services	14,091	
Other contracted services - building maintenance costs	8,134	
Board members expenses - travel and other	7,556	
Board members expenses - per diem	8,700	
Telephone and internet	3,508	
Utilities	4,162	
Depreciation	13,558	
Machine rental and maintenance (Note 7)	5,154	
Office supplies and expenses	2,185	

See notes to financial statements

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2017**

	<b>Year Ended June 30, 2017</b>	
	<b>Proprietary -</b>	
	<b>Enterprise Funds</b>	
	<b>Operating</b>	<b>Recovery</b>
	<b>Fund</b>	<b>Fund</b>
<b>OPERATING EXPENSES (CONTINUED):</b>		
Postage and delivery	782	
Insurance	4,166	
Dues and subscriptions	1,717	
Credit card processing fees	1,920	
Legal, auditing, accounting and other professional fees	28,834	
Continuing education costs for licensees	28,089	
Printing	2,718	
Miscellaneous expenses	619	
Total operating expenses	<u>\$ 352,403</u>	<u>\$ 0</u>
Operating income	26,197	7,850
<b>NON-OPERATING INCOME (EXPENSES):</b>		
Interest income	6,507	3,828
Interest expense on loan	(10,476)	
Total net non-operating revenues	<u>\$ (3,969)</u>	<u>\$ 3,828</u>
Change in net position	\$ 22,228	\$ 11,678
Net position - beginning of year	<u>852,503</u>	<u>383,012</u>
Net position - end of year	<u><u>\$ 874,731</u></u>	<u><u>\$ 394,690</u></u>

See notes to financial statements.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2017**

	Year Ended June 30, 2017	
	Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund
Cash flows from operating activities:		
Cash received from fees	\$ 389,736	\$ 7,850
Cash payments to employees for services (including benefits)	(172,481)	
Cash payments for operating expenses	(166,065)	
Net cash provided (used) by operating activities	\$ 51,190	\$ 7,850
Cash flows from capital and related financing activities:		
Proceeds (payments) from (on) note payable	\$ (38,092)	\$
Interest paid on loan	(10,476)	
Net cash used in capital and related financing activities:	\$ (48,568)	\$ 0
Cash flows from investing activities:		
Interest on investments	\$ 6,359	\$ 3,715
Net cash provided (used) by investing activities	\$ 6,359	\$ 3,715
Net increase in cash	\$ 8,981	\$ 11,565
Cash - beginning of year	758,428	382,758
Cash - end of year	\$ 767,409	\$ 394,323

See notes to financial statements.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

	Year Ended June 30, 2017	
	Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 26,197	\$ 7,850
Adjustments to reconcile operating income		
To net cash provided by operating activities		
Depreciation	\$ 13,558	\$
Changes in assets, liabilities, and deferred outflows:		
Accounts payable	(9,199)	
Unearned revenue	11,136	
Deferred inflows (outflows) of resources for pensions	21,484	
Other accrued liabilities (including net pension liability)	(11,986)	
Total adjustments	\$ 24,993	\$ 0
Net cash provided (used) by operating activities	<u>\$ 51,190</u>	<u>\$ 7,850</u>

See notes to financial statements.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization and Purpose**

The North Carolina Auctioneer Licensing Board (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 85B of the North Carolina General Statutes. The Board is composed of five members who are appointed by the Governor of the State of North Carolina. The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

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

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

On July 1, 1973, pursuant to Section 85B of the General Statutes of the State of North Carolina the Board was created. The Board began operations through its Operating Fund in September 1973. The revenues and expenditures for the Operating Fund are shown as a proprietary (enterprise) fund.

On July 1, 1983, pursuant to North Carolina General Statute 85B-4.1, the Auctioneer Recovery Fund (the "Recovery Fund") of the North Carolina Auctioneer Licensing Board was established. The North Carolina Auctioneer Licensing Board is responsible for the administration and maintenance of the Recovery Fund pursuant to the provisions thereof. The Board, at its discretion, may use contents of the Recovery Fund in excess of \$100,000 (\$200,000 effective June, 1999) for certain purposes specified in the statute. The Board transferred no monies from the Recovery Fund to the Operating Fund for the year ended June 30, 2017. The Board has the authority to assess each licensee at renewal in an amount up to fifty (\$50) for the purpose of replenishing the Fund. The Board also monitors the Fund to satisfy judgments by aggrieved persons who have suffered a direct monetary loss by reason of certain acts committed by any person licensed under General Statute Chapter 85B. The revenues and expenditures for the Recovery Fund are shown as a proprietary (enterprise) fund. The Recovery Fund is a restricted fund with expendable and nonexpendable components.

**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.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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

**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 two proprietary (enterprise) funds as described in the foregoing section above. 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 are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

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

**Cash in State Treasurer**

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure, they are considered a cash equivalent.

**Prepaid Expenses**

This classification includes expenses which were prepaid at year end for an office equipment lease.

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**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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

**Capital Assets**

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: buildings, 50 years and office furniture and equipment, 5 to 7 years.

**Noncurrent Long-Term Liabilities**

Noncurrent long-term liabilities include notes payable, net pension liability, and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the Board's proportionate share of the collective net pension liability reported in the 2016 State of North Carolina's Comprehensive Annual Financial Report (CAFR). This liability represents the Board's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Notes 6 and 8 for further information regarding the Board's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

**Compensated Absences (Vacation and Sick Leave)**

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. On December 31st, accrued vacation in excess of the limits are transferred and added to sick leave balances. Accumulated earned vacation payable at June 30, 2017 consisted of the following:

	<u>June 30, 2017</u>	
Current portion	\$	4,459
Long-term portion		17,837
Total	\$	<u>22,296</u>

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 made. The Board has a contingent liability for sick leave in the amount of \$52,600 at June 30, 2017.

**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 AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Note 2 - Deposits

**Cash in State Treasurer**

All of the Board's deposits are either insured, or are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's escrow agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held in the Board's name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Custodial credit risk is the risk that in the event of a bank failure, the Board's funds may not be returned to it. The Board does not have a formal policy regarding custodial credit risk for its deposits.

Deposit and investments risks associated with the State Treasurer's Deposits and Investments are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, [www.osc.state.nc.us](http://www.osc.state.nc.us), and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2017, the Board's deposits with the State Treasurer had a carrying value and bank balance of \$767,409 for the Operating Fund, which was covered by collateral held under the Pooling Method, and a carrying value and a bank balance of \$394,323 for the Recovery Fund, which was covered by collateral held under the Pooling Method.

Note 3- Capital Assets

	Cost 06-30-16	Acquisitions	Disposals	Cost 06-30-17	Accumulated Depreciation	Net Amount
Land	\$ 135,666	\$ -	\$ -	\$ 135,666	\$ -	\$ 135,666
Building	605,695	-	-	605,695	95,773	509,922
Furniture/Equipment	47,539	-	6,490	41,049	37,932	3,117
	<u>\$ 788,900</u>	<u>\$ 0</u>	<u>\$ 6,490</u>	<u>\$ 782,410</u>	<u>\$ 133,705</u>	<u>\$ 648,705</u>

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 earnings for the period. Depreciation expense was \$13,558 for the fiscal year ended June 30, 2017.

Note 4 - Unearned Revenue

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 5 - Net Position

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

Restricted net position - expendable and nonexpendable - 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 Recovery Fund is a restricted fund with expendable and nonexpendable components.

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

Note 6 - Long-Term Liabilities

**Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is presented as follows:

	Balance 06-30-16	Additions	Reductions	Balance 06-30-17	Current Portion
Note Payable	\$ 245,541	\$ -	\$ (38,092)	\$ 207,449	\$ 207,449
Net Pension Liability	23,217	48,473	-	71,690	-
Compensated Absences	18,368	9,357	(5,429)	22,296	4,459
Total Long-Term Liabilities	<u>\$ 287,126</u>	<u>\$ 57,830</u>	<u>\$ (43,521)</u>	<u>\$ 301,435</u>	<u>\$ 211,908</u>

Additional information regarding the net pension liability is included in Notes 1 and 8.

**Note Payable**

The Board obtained a construction loan in May 2008 in the amount of \$595,000 to fund the construction of an office building on land which it had previously purchased (without incurring debt). The initial note was in the amount of \$595,000. The initial loan proceeds were deposited to a construction loan bank account with the lending financial institution in the name of the Board, earning interest at the lending institution's public fund money market rate. Two payments, totaling \$27,573, were made in November 2008 and May 2009, then upon completion of the building, the remaining funds on deposit in the construction account were applied to the note payable balance. Monthly payments in the amount of \$4,047 began in November 2009 and were scheduled to continue to maturity in May 2028. A lump sum payment of \$100,000 was made in January 2014, which altered the amortization and maturity date. The note payable contracted a fixed interest rate of 4.59% and was secured by the land and building. At year end, the note was scheduled to mature on April 29, 2022, however, the note was paid off during August 2017.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 6 - Long-Term Liabilities (Continued)

The estimated maturities of debt subsequent to June 30, 2017, is as follows:

<b>Years Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 207,449	\$ 1,574
Total	<u>\$ 207,449</u>	<u>\$ 1,574</u>

Note 7 - Operating Leases

The Board leases office equipment under operating leases. Total rent expense charged to operations under lease agreements was \$4,707 in 2017.

Rental commitments under noncancellable operating leases at June 30, 2017 are as follows:

<b>Years Ended June 30,</b>	
2018	\$ 4,517
2019	3,630
2020	<u>3,333</u>
Total	<u>\$ 11,480</u>

Note 8 - Pension Plans

In prior years and during a portion of the year ended June 30, 2001, the Board did not participate in the Teachers' and State Employees' Retirement System of North Carolina. The Board was ineligible to participate in the State Retirement System on behalf of employees and instead purchased an annual premium annuity contract on behalf of its employees. On October 1, 2000, pursuant to General Statute 135-1(b), the Board elected back into the State Retirement System on behalf of its employees and terminated the annual premium annuity contract. Additionally, participants in the Teachers' and State Employees' Retirement System participate in the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(k). The Board assumes no liability for retiree benefits provided by these retirement plans other than their required contribution.

**Defined Benefit Plan - Teachers' and State Employees' Retirement System of North Carolina**

*Plan Administration:* The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 8 - Pension Plans (Continued)

*Benefits Provided:* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Board's contractually-required contribution rate for the year ended June 30, 2017 was 9.98% for the Retirement System Pension Fund (16.33% combined average rate for the Retirement System Pension Fund, the Death Benefit Trust Fund, the Retiree Health Benefit Fund, and the Disability Income Plan) of covered payroll. The Board's contributions to the retirement system (including \$12,962 to the pension plan, as calculated by the NC Office of State Controller) were \$21,875, and employee contributions were \$7,984 for the year ended June 30, 2017. The Board's contributions to the retirement system (including \$10,110 to the pension plan) were \$16,945, and employee contributions were \$6,723 for the year ended June 30, 2016. The Board's contributions to the retirement system (including \$8,941 to the pension plan) were \$14,864, and employee contributions were \$5,863 for the year ended June 30, 2015. The Board's payroll for employees covered by the System for the year ended June 30, 2017 was \$133,065; the Board's total payroll was \$133,065. The Board's payroll for employees covered by the System for the year ended June 30, 2016 was \$112,052; the Board's total payroll was \$132,257. The Board's payroll for employees covered by the System for the year ended June 30, 2015 was \$97,716; the Board's total payroll was \$125,495.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2015 Comprehensive Annual Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 8 - Pension Plans (Continued)

*Methods Used to Value TSERS Investment:* Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2016 Comprehensive Annual Financial Report.

*Net Pension Liability:* At June 30, 2017, the Board was allocated no liability for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. An agency's proportion of the net pension liability is based on the present value of future salaries for the Board relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2016, the Board's proportion was .00078%, which was an increase of 23.8% from its proportion measured as of June 30, 2015 of .00063%.

*Actuarial Assumptions:* The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2015
Inflation	3%
Salary Increases*	3.5% - 8.10%
Investment Rate of Return**	7.25%

\* Salary increases include 3.5% inflation and productivity factor.

\*\* Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 8 - Pension Plans (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is a part of the asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Note 8 - Pension Plans (Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan at June 30, 2016 calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

<b>Net Pension Liability (Asset)</b>		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 134,835	\$ 71,690	\$ 18,594

*Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions:* For the year ended June 30, 2017, the Board recognized pension expense of \$14,941 (as calculated by the NC Office of State Controller). At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Deferred Amount to be Recognized in Pension Expense</b>
Difference between actual and expected experience	\$ -	\$ 3,388	\$ (3,388)
Changes of assumptions	10,573	-	10,573
Net difference between projected and actual earnings on pension plan investments (see note below)	25,567	-	25,567
Change in proportion and differences between agency's contributions and proportionate share of contributions	5,197	933	4,264
Contributions subsequent to the measurement date	12,962	-	-
<b>Total</b>	<b>\$ 54,299</b>	<b>\$ 4,321</b>	<b>\$ 37,016</b>



**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 8 - Pension Plans (Continued)

The amount of the employer's balance of deferred outflows of resources that will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2018 is \$12,962. The net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred Outflows of Resources and Deferred Inflows of  
Resources that will be Recognized in Pension Expense:**

<b>Year ended June 30:</b>	<b>Amount</b>	
2018	\$	6,656
2019		6,741
2020		15,112
2021		8,507
2022		-
Total	\$	<u>37,016</u>

Note: negative amounts indicate amortization of pension deferrals that will decrease pension expense.

***IRC 401(k) Plan***

Effective January 1, 1985, Chapter 135, Article 5 of the North Carolina General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(k). Certain members of the Teachers' and State Employees' Retirement System of North Carolina are eligible for enrollment in this plan. Members of this plan may receive their benefits upon retirement, disability, termination, hardship, or death. Administration costs are paid from the plan. The Board elected into the plan on October 1, 2000 at the time it elected back into the State Retirement System. One employee was covered under the plan- one clerical staff employee. Only the Board contributes to the plan, and only the Board has the authority to authorize and amend the plan (pursuant to the provisions of the Supplemental Retirement Income Plan of North Carolina). There are no forfeitures inuring to other employees under this type plan. The Board's contribution to the plan was \$3,574 for the year ended June 30, 2017, \$3,397 for the year ended June 30, 2016, and \$6,956 for the year ended June 30, 2015. There were no voluntary contributions to the plan by employees for the years ended June 30, 2017, 2016 and 2015.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 9 - Postemployment Benefits Other Than Pensions

The Board participates in state administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teacher's and State Employees' Retirement System. These benefits were established by Chapter 135 of the North Carolina General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefits for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The Board's contribution for postemployment health care benefits is included in its retirement contribution (5.81 % of the 16.33% total average contribution rate) to the Teachers' and State Employees' Retirement System for the year ended June 30, 2017. Required contribution rates for the years ended June 30, 2016 and 2015 were 5.60% and 5.49% respectively.

The Board participates in the Disability Income Plan of North Carolina (DIPNC) established by Chapter 135 of the North Carolina General Statutes. DIPNC provides short-term and long-term disability to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advanced on an actuarially determined basis using the one-year term cost method. The Board's contribution for postemployment disability benefits is included in its retirement contribution (.38 % of the 16.33% total average contribution rate) to the Teachers' and State Employees' Retirement System for the year ended June 30, 2017. Required contribution rates for the years ended June 30, 2016 and 2015 were .41% in both years.

The Board participates in the Death Benefit Trust Fund of North Carolina. The Board's contribution for the Death Benefit Trust Fund is included in its retirement contribution (.16 % of the 16.33 total average contribution rate) to the Teachers' and State Employees' Retirement System for the year ended June 30, 2017. Required contribution rates for the years ended June 30, 2016 and 2015 were .16% in both years.

The Board assumes no liability for retiree health care or disability benefits or death benefits provided by these programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's Comprehensive Annual Financial Report.

Note 10 - 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 potential loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the year ended June 30, 2017.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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Note 11 - Contingencies

**Disciplinary Hearings**

The Board is involved in a number of 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.

**Recovery Fund Claims**

The Recovery Fund of the North Carolina Auctioneer Licensing Board is established to provide relief for aggrieved persons who have suffered monetary loss as a direct result of the conversion of funds or property or other fraudulent acts or conduct by a licensed auctioneer, apprentice auctioneer, or auction firm, but subject to the limitations of North Carolina General Statute 85B-4. There were no known pending claims or awarded but unpaid/non-accrued claims payable at June 30, 2017. Accordingly, in the opinion of management of the Board, the resulting liabilities of such claims do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 12- Subsequent Events

Subsequent events have been evaluated through September 15, 2017, 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 13 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 101 audit hours at a cost of \$9,295.

**NORTH CAROLINA AUCTIONEER LICENSING BOARD  
SCHEDULE OF THE PROPORTIONATE NET PENSION LIABILITY  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS**

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	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
(1) Proportionate share percentage of collective net pension liability	.00078%	.00063%	.00069%	.00070%
(2) Proportionate Share of TSERS collective net pension liability	\$ 71,690	\$ 23,217	\$ 8,090	\$ 42,497
(3) Covered-employee payroll	\$ 112,052	\$ 97,716	\$ 109,983	\$ 108,388
(4) Net pension liability as a percentage of covered-employee payroll	63.98%	23.76%	7.36%	39.21%
(5) Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%

**NORTH CAROLINA AUCTIONEER LICENSING BOARD  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
(1) Contractually required contribution	\$ 12,962	\$ 10,110	\$ 8,941	\$ 9,558	\$ 9,029
(2) Contributions in relation to the contractually determined contribution	12,962	10,110	8,941	9,558	9,029
(3) Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(4) Covered-employee payroll	\$ 133,065	\$ 112,052	\$ 97,716	\$ 109,983	\$ 108,388
(5) Contributions as a percentage of covered-employee payroll	9.98%	9.02%	9.15%	8.69%	8.33%

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
(1) Contractually required contribution	\$ 7,498	\$ 3,781	\$ 3,717	\$ 4,464	\$ 4,353
(2) Contributions in relation to the actuarially determined contribution	7,498	3,781	3,717	4,464	4,353
(3) Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(4) Covered-employee payroll	\$ 100,777	\$ 105,900	\$ 104,125	\$ 132,858	\$ 142,731
(5) Contributions as a percentage of covered-employee payroll	7.44%	3.57%	3.57%	3.36%	3.05%

**NORTH CAROLINA AUCTIONEER LICENSING BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOARD CONTRIBUTIONS  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

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*Changes of Benefit Terms:*

**Cost of Living Increase**

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

*Changes of assumptions.* In 2008, 2012 and 2015 the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine the plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.