

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

**Financial Statements for the
Years Ended June 30, 2018 and 2017 and
Independent Auditor's Report**

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

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BOARD MEMBERS (2018)

Richard Alan Kolb, Chairman

John William Miller, Jr., Vice-Chairman

Kenneth Belk Taylor, Secretary-Treasurer

George Richard Garrett

Steven J. Miller

John W. Stevens

EXECUTIVE OFFICER

Barbara U. Geiger, Executive Director

LEGAL COUNSEL

North Carolina Department of Justice

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

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NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

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 years ended June 30, 2018 and 2017. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2018, the Board's net position increased by \$23,335, or 3.53%, due to an increase in revenue and a decrease in expenses. During 2017, the Board's net position decreased by \$18,760, or 2.76%, due to a decrease in revenue and an increase in expenses.

During 2018, the operating revenues of the Board increased by \$7,553, or 5.01%, due primarily to an increase in exam fees. During 2017, the operating revenues of the Board decreased by \$7,493, or 4.74%, due primarily to a decrease in exam fees.

During 2018, the non-operating revenues of the Board increased by \$16,062, or 3007.87%, due primarily to a gain on the valuation of negotiable certificates of deposit in the secondary market. During 2017, the non-operating revenues of the Board decreased by \$3,571, or 86.99%, due primarily to a loss on the valuation of negotiable certificates of deposit in the secondary market.

During 2018, the operating expenses of the Board decreased by \$18,480, or 10.87%, due primarily to a decrease in board members expenses and professional fees (legal and accounting). During 2017, the operating expenses of the Board increased by \$33,435, or 24.49%, due primarily to an increase in board members expenses, legal fees and peer review expenses.

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 the Governmental Accounting Standards Board (GASB). 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 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 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 BOARD FOR LICENSING OF GEOLOGISTS

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, 2018	Prior Year as of and for the year ended June 30, 2017
Current assets	\$ 425,747	\$ 480,870
Capital assets	70	70
Other assets	351,769	338,706
Total assets	<u>\$ 777,586</u>	<u>\$ 819,646</u>
Current liabilities	\$ 92,365	\$ 157,760
Total liabilities	<u>\$ 92,365</u>	<u>\$ 157,760</u>
Investment in capital assets	\$ 70	\$ 70
Unrestricted	685,151	661,816
Total net position	<u>\$ 685,221</u>	<u>\$ 661,886</u>
Operating revenues	\$ 158,247	\$ 150,694
Operating expenses	(151,508)	(169,988)
Operating income	6,739	(19,294)
Non-operating revenues	16,596	534
Change in net position	<u>\$ 23,335</u>	<u>\$ (18,760)</u>

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$685,221 for the year ended June 30, 2018. The largest component of net position was cash and investments. Cash and investments represented 112.74% of total net position. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2018	Prior Year as of June 30, 2017	Amount of Change	Percentage Change
Current assets	\$ 425,747	\$ 480,870	\$ (55,123)	-11.46%
Capital assets	70	70	0	0.00%
Other assets	351,769	338,706	13,063	3.86%
Total assets	<u>\$ 777,586</u>	<u>\$ 819,646</u>	<u>\$ (42,060)</u>	<u>-5.13%</u>
Current liabilities	\$ 92,365	\$ 157,760	\$ (65,395)	-41.45%
Total liabilities	<u>\$ 92,365</u>	<u>\$ 157,760</u>	<u>\$ (65,395)</u>	<u>-41.45%</u>
Investment in capital assets	\$ 70	\$ 70	\$	0.00%
Unrestricted	685,151	661,816	23,335	3.53%
Total net position	<u>\$ 685,221</u>	<u>\$ 661,886</u>	<u>\$ 23,335</u>	<u>3.53%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Operating revenues	\$ 158,247	\$ 150,694	\$ 7,553	5.01%
Operating expenses	(151,508)	(169,988)	18,480	-10.87%
Non-operating revenues	16,596	534	16,062	3007.87%
Change in net position	<u>\$ 23,335</u>	<u>\$ (18,760)</u>	<u>\$ 42,095</u>	<u>224.39%</u>
Ending net position	<u>\$ 685,221</u>	<u>\$ 661,886</u>	<u>\$ 23,335</u>	<u>3.53%</u>

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
License and renewal fees	\$ 121,350	\$ 122,765	\$ (1,415)	-1.15%
New application fees	6,635	5,875	760	12.94%
Examination fees	26,575	17,415	9,160	52.60%
Late payment fees	2,050	3,050	(1,000)	-32.79%
Miscellaneous income	1,637	1,589	48	3.02%
Total	\$ 158,247	\$ 150,694	\$ 7,553	5.01%

The following is a breakdown of non-operating revenues by source.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Interest income	\$ 3,960	\$ 4,196	\$ (236)	-5.62%
Gain (loss) on CDs	12,636	(3,662)	16,298	445.06%
Total	\$ 16,596	\$ 534	\$ 16,062	3007.87%

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.

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 Board for Licensing of Geologists, 3733 Benson Drive, Raleigh, NC 27609.

Shelton L. Hawley, CPA, PA
Certified Public Accountants

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P.O. Box 1545
Angier, North Carolina 27501-1545

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Board for Licensing of Geologists
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board for Licensing of Geologists (the "Board"), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended June 30, 2018 and 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 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 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 Board for Licensing of Geologists as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years 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 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, North Carolina

December 18, 2018

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
ASSETS		
Current assets:		
Cash in State Treasurer (Note 2)	\$ 284,707	\$ 344,884
Cash and cash equivalents - other (Note 2)	136,040	135,986
Prepaid management service fee (Notes 1 and 6)	<u>5,000</u>	<u></u>
Total current assets	425,747	480,870
Capital assets (Notes 1 and 4):		
Furniture and office equipment	<u>70</u>	<u>70</u>
Total capital assets - net of depreciation	<u>70</u>	<u>70</u>
Other assets:		
Investments (Notes 2 and 3)	351,768	338,705
Accrued interest receivable (on investments)	<u>1</u>	<u>1</u>
Total other assets	351,769	338,706
TOTAL ASSETS	<u><u>\$ 777,586</u></u>	<u><u>\$ 819,646</u></u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable (Note 5)	\$ 5,304	\$ 28,190
Due to other state agencies (Note 5)	2,511	11,620
Unearned revenue (Note 1)	<u>84,550</u>	<u>117,950</u>
Total current liabilities	92,365	157,760
TOTAL LIABILITIES	<u><u>92,365</u></u>	<u><u>157,760</u></u>
NET POSITION (NOTE 1)		
Investment in capital assets	70	70
Unrestricted net position	<u>685,151</u>	<u>661,816</u>
TOTAL NET POSITION	<u><u>685,221</u></u>	<u><u>661,886</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 777,586</u></u>	<u><u>\$ 819,646</u></u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses, and fines:		
License and renewal fees	\$ 121,350	\$ 122,765
New application fees and packets	6,635	5,875
Examination fees	26,575	17,415
Late payment fees	2,050	3,050
Miscellaneous operating income	<u>1,637</u>	<u>1,589</u>
Total operating revenues	\$ 158,247	\$ 150,694
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses (including lodging, meals, and transportation)	\$ 16,566	\$ 20,737
Supplies and materials:		
Office supplies	2,312	919
Stamps	1,093	1,456
Services:		
Contractual management services (Note 6)	60,000	60,000
Management service staff expenses	387	1,627
Website expenses	10,519	11,932
Legal (including related costs), accounting and audit fees	16,662	32,613
Peer review expenses (Note 7)	2,100	9,650
Printing and copying (including newsletter)	1,522	1,825
Postage and freight	1,699	1,768
Telephone	1,341	976
Exam expenses	23,102	15,705
Public relations expenses - law awareness	3,749	
Insurance	2,001	1,961

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Other expenses:		
Dues	4,500	4,500
Credit card discount fees	2,254	3,153
Miscellaneous expenses	1,701	1,166
Total operating expenses	<u>\$ 151,508</u>	<u>\$ 169,988</u>
Operating income (loss)	\$ 6,739	\$ (19,294)
NON-OPERATING REVENUES (EXPENSES):		
Interest income (including unrealized gain/loss on certificates of deposit in the secondary market) (Note 1)	\$ 16,596	\$ 534
Total non-operating revenues	\$ 16,596	\$ 534
Change in net position	<u>\$ 23,335</u>	<u>\$ (18,760)</u>
Net position - beginning of year	<u>661,886</u>	<u>680,646</u>
Net position - end of year	<u>\$ 685,221</u>	<u>\$ 661,886</u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other operating income	\$ 124,847	\$ 166,954
Cash payments for operating expenses	(188,503)	(140,553)
Net cash provided (used) by operating activities	\$ (63,656)	\$ 26,401
Cash flows from investing activities:		
Interest earnings	\$ 16,596	\$ 535
Transfers from (to) investments	(13,063)	(62,407)
Net cash provided (used) by investing activities	\$ 3,533	\$ (61,872)
Net increase in cash	\$ (60,123)	\$ (35,471)
Cash - beginning of year	480,870	516,341
Cash - end of year	<u>\$ 420,747</u>	<u>\$ 480,870</u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	\$ 6,739	\$ (19,294)
Adjustments to reconcile operating income (loss)		
to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Prepaid expense	\$ (5,000)	\$
Accounts payable	(31,995)	29,435
Unearned revenue	(33,400)	16,260
Total adjustments	\$ (70,395)	\$ 45,695
Net cash provided (used) by operating activities	<u>\$ (63,656)</u>	<u>\$ 26,401</u>

See notes to financial statements.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Board for Licensing of Geologists (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 89E of the North Carolina General Statutes. The Board is composed of six 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 geologists.

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

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (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.

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.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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

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.

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.

Investments

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income. The Board held negotiable and non-negotiable certificates of deposit at June 30, 2018 and June 30, 2017.

Prepaid Expense

This classification includes expenses which were prepaid at year end for management consultant services.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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: office furniture and equipment, 5 to 7 years.

Unearned Revenue

The Board's fees are assessed and collected on an annual basis for the period July 1 through June 30, which corresponds with the Board's accounting period. 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.

Net Position

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 - 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 at year end.

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*

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 BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 2 - Deposits and Investments

Cash in State Treasurer Short Term Investment Fund (STIF)

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily deposits to the North Carolina Short Term Investment Fund (STIF). Disbursements are through the issuance of warrants by the Board. Investments of the Short Term Investment Fund are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government/agency securities. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investments risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) 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.ncosc.net, and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2018, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$284,707 (including undeposited receipts), and a bank balance of \$257,732 (including \$44,312 in uncertified deposits). At June 30, 2017, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$344,884 (including undeposited receipts), and a bank balance of \$326,742 (including \$65,430 in uncertified deposits).

Deposits in Financial Institution(s)

All of the Board's deposits which are uninsured 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 formal written policies regarding custodial credit risk for deposits.

At June 30, 2018, the Board's deposits had a carrying amount of \$487,808 and a bank balance of \$487,808. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$237,808 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$351,768 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position. At June 30, 2017, the Board's deposits had a carrying amount of \$474,691 and a bank balance of \$474,691. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$224,691 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$338,705 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 2 - Deposits and Investments (Continued)

Investments

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits with maturities of no more than 60 months and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and to money market mutual funds.

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at June 30, 2018, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificates of Deposit	\$ 351,768	34.6 Months	N/A

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, 2018 and 2017, is as follows:

	June 30, 2018	June 30, 2017
Carrying Amount of Cash in State Treasurer	\$ 284,707	\$ 344,884
Carrying Amount of Bank Deposits	136,040	135,986
Certificates of Deposits	351,768	338,705
Total Deposits and Investments	<u>\$ 772,515</u>	<u>\$ 819,575</u>
Current:		
Cash in State Treasurer	\$ 284,707	\$ 344,884
Cash and Cash Equivalents - Other	136,040	135,986
Noncurrent:		
Investments	<u>351,768</u>	<u>338,705</u>
Total Deposits and Investments	<u>\$ 772,515</u>	<u>\$ 819,575</u>

NORTH CAROLINA BOARD FOR LICENSING OF GEOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 3 - Fair Value Measurements

Fair value, as defined under GASB 72, Fair Value Measurement and Application, is an exit price representing the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level, within the fair value hierarchy, the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2018. The Board's investments in negotiable certificates of deposit at June 30, 2017 in the amount of \$196,338 were all Level 2 investments.

		2018			
		Total Fair Value	Level 1	Level 2	Level 3
Negotiable certificates of deposit	\$	208,974	-	208,974	-

Note 4 - Capital Assets

Changes in capital assets as of and for the years ended June 30, 2018 and 2017 are as follows:

	Cost			Cost 06-30-18	Accumulated Depreciation	Net Amount
	06-30-17	Acquisitions	Disposals			
Furniture/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70
	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237</u>	<u>\$ 1,167</u>	<u>\$ 70</u>

	Cost			Cost 06-30-17	Accumulated Depreciation	Net Amount
	06-30-16	Acquisitions	Disposals			
Furniture/Equipment	\$ 1,237	\$ -	\$ -	\$ 1,237	\$ 1,167	\$ 70
	<u>\$ 1,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237</u>	<u>\$ 1,167</u>	<u>\$ 70</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. No depreciation expense was recorded for the fiscal year ended June 30, 2018 or for the fiscal year ended June 30, 2017.

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Note 5 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Due to Vendors	\$ 5,304	\$ 28,190
Due to Other State Agencies	2,511	11,620
Total Accounts Payable	<u>\$ 7,815</u>	<u>\$ 39,810</u>

Note 6 - Contractual Management Services

The Board does not have any employees. The Board contracts with a management 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. The Board also reimburses the management service for printing, copying, postage and miscellaneous office supplies and expenses. Payments to the management service totaled \$69,672 during the fiscal year ended June 30, 2018. Payments to the management service totaled \$72,136 during the fiscal year ended June 30, 2017.

Note 7 - Related Party Transactions

The Board contracts with former Board members to perform peer review services for the Board. Peer review services are expenses incurred and paid for professional services rendered to investigate complaints against Board licensees and to investigate unlicensed practice. Payments to former Board members (for peer review services) totaled \$1,850 during the fiscal year ended June 30, 2018. Payments to former Board members (for peer review services) totaled \$2,514 during the fiscal year ended June 30, 2017.

Note 8 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in certain 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. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the last three fiscal years.

Note 9 - 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 years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

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Note 10 - Subsequent Events

Subsequent events have been evaluated through December 18, 2018, 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 11 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 95 audit hours at a cost of \$9,995.