

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY

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

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY

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

BOARD MEMBERS

Dr. Andrew G. Cook, President

Dr. Scott L. Philippe, Secretary-Treasurer

Dr. Jerry N. Ellington

Dr. Michael J. Haines

Dr. H. Mike Johnson

Mr. James E. Raynor

Mrs. Susan P. Watson

EXECUTIVE OFFICERS

Dr. William B. Rafferty, Executive Director

Janice K. Peterson, R.N., Executive Administrator

LEGAL COUNSEL

Johnny M. Loper, Attorney At-Law

Womble Bond Dickinson (US), LLP

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY

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NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY

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, 2018. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2018, the Board's net position decreased by \$3,289, or .45%, due primarily to the Board's operating expenses exceeding its operating revenues.

During 2018, the operating revenues of the Board increased by \$1,185, or .19%, due primarily to an increase in renewal fees revenue and examination fees revenue.

During 2018, the non-operating revenues of the Board (net of gain (loss) on investments) decreased by \$3,040, or 4.48%, due to a decrease in gain on investments.

During 2018, the operating expenses of the Board decreased by \$30,248, or 4.18%, due primarily to a decrease in computer software and programmer fees and a decrease in legal and investigative fees.

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 Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Board's assets changed as a result of its operations. The Statement of Cash Flows presents information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$724,960 for the year ended June 30, 2018. The largest component of net position was investments. Investments represented 103.38% 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	\$ 339,989	\$ 391,274	\$ (51,285)	\$ -13.11%
Capital assets	39,077	42,431	(3,354)	-7.90%
Other assets	749,546	722,451	27,095	3.75%
Total assets	<u>\$ 1,128,612</u>	<u>\$ 1,156,156</u>	<u>\$ (27,544)</u>	<u>\$ -2.38%</u>
Current liabilities	\$ 349,117	\$ 375,062	\$ (25,945)	\$ -6.92%
Long-term liabilities	54,535	52,845	1,690	3.20%
Total liabilities	<u>\$ 403,652</u>	<u>\$ 427,907</u>	<u>\$ (24,255)</u>	<u>\$ -5.67%</u>
Invested in capital assets	\$ 39,077	\$ 42,431	\$ (3,354)	\$ -7.90%
Unrestricted	685,883	685,818	65	0.01%
Total net position	<u>\$ 724,960</u>	<u>\$ 728,249</u>	<u>\$ (3,289)</u>	<u>\$ -0.45%</u>

The following is a summary of the Statement 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	\$ 625,155	\$ 623,970	\$ 1,185	\$ 0.19%
Operating expenses	(693,222)	(723,470)	30,248	-4.18%
Non-operating revenues	64,778	67,818	(3,040)	-4.48%
Change in net position	<u>\$ (3,289)</u>	<u>\$ (31,682)</u>	<u>\$ 28,393</u>	<u>\$ 89.62%</u>
Ending net position	<u>\$ 724,960</u>	<u>\$ 728,249</u>	<u>\$ (3,289)</u>	<u>\$ -0.45%</u>

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY

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
Individual renewals	\$ 405,900	\$ 402,300	\$ 3,600	\$ 0.89%
Branch office initial fees	41,200	53,000	(11,800)	-22.26%
Branch office renewals	108,600	106,100	2,500	2.36%
Examination fees	44,350	40,700	3,650	8.97%
Professional initial fees	1,450	1,600	(150)	-9.38%
Professional renewals	11,250	11,125	125	1.12%
Renewal penalties	3,750	2,780	970	34.89%
Other operating revenues	8,655	6,365	2,290	35.98%
Total	<u>\$ 625,155</u>	<u>\$ 623,970</u>	<u>\$ 1,185</u>	<u>\$ 0.19%</u>

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	\$ 3,372	\$ 4,906	\$ (1,534)	\$ -31.27%
Dividend income	5,354	4,654	700	15.04%
Gain (loss) on capital assets	(238)	0	(238)	N/A
Realized gain (loss) investments	31,390	18,804	12,586	66.93%
Unrealized gain (loss) investments	24,900	39,454	(14,554)	-36.89%
Total	<u>\$ 64,778</u>	<u>\$ 67,818</u>	<u>\$ (3,040)</u>	<u>\$ -4.48%</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.

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: Dr. William B. Rafferty, Executive Director, North Carolina State Board of Examiners in Optometry, 109 North Graham Street, Wallace, North Carolina 28466.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina State Board of Examiners in Optometry
Wallace, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Board of Examiners in Optometry (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 year ended June 30, 2018, 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 State Board of Examiners in Optometry as of June 30, 2018, and the results of its operations and its 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 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.

A handwritten signature in black ink that reads "Shelton L. Hawley, C.P.A., P.A." The signature is written in a cursive style.

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

Angier, North Carolina

October 8, 2018

**NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	June 30, 2018
	Proprietary- Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 284,931
Accounts receivable - investigative and legal fee reimbursements (Note 4)	55,000
Prepaid expense (Note 1)	58
Total current assets	<u>339,989</u>
Capital assets (Notes 1 and 5):	
Office furniture and equipment	39,077
Total capital assets - net of depreciation	<u>39,077</u>
Other assets:	
Investments (Notes 2 and 3)	749,486
Refundable utility deposit	60
Total other assets	<u>749,546</u>
TOTAL ASSETS	\$ <u><u>1,128,612</u></u>
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 18,112
Accrued payroll (including payroll taxes and related costs)	1,785
Accrued compensated leave (Notes 1 and 8)	18,457
Unearned revenue (Note 1)	310,763
Total current liabilities	<u>349,117</u>
Long term debt:	
Accrued compensated leave (Notes 1 and 8)	54,535
Total long term debt	<u>54,535</u>
TOTAL LIABILITIES	<u><u>403,652</u></u>
NET POSITION (NOTE 1)	
Invested in capital assets	39,077
Unrestricted net position	685,883
TOTAL NET POSITION	<u><u>724,960</u></u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>1,128,612</u></u>

See notes to financial statements.

**NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	<u>2018</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:	
Fees, licenses and fines:	
Regular individual license renewal fees	\$ 405,900
Branch office initial fees	41,200
Branch office renewal fees	108,600
Examination fees	44,350
Professional corporation initial fees (including PLLCs and others)	1,450
Professional corporation renewal fees (including PLLCs and others)	11,250
Renewal penalties	3,750
Other operating income	<u>8,655</u>
Total operating revenues	\$ 625,155
OPERATING EXPENSES:	
Personal services (and board members expenses):	
Salaries and wages (including accumulated leave)	\$ 268,704
Payroll taxes	20,962
Retirement (Note 9)	13,340
Health insurance (Note 11)	32,584
Dental reimbursement plan (Note 11)	361
Board members regular meeting expenses	28,672
Board members special meeting expenses	14,440
Supplies and materials:	
Office supplies and expenses	2,137
Services:	
Legal and investigative fees	101,057
Audit fees	9,295
Accounting/budget fees	11,755
Computer software and programmer fees	40,129
Licensee monitoring fees	9,030
Printing and copying	2,005

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

	<u>2018</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):	
Postage	2,474
Utilities	4,548
Telephone	8,530
Examination expenses	72,364
Examination development expenses	10,163
Bank charges	86
Maintenance and repairs	4,763
Depreciation	5,581
Commercial insurance (Note 11)	10,150
Other expenses:	
Rent for office space (Note 7)	15,622
Office equipment lease (Note 7)	1,124
Dues and registration fees	1,175
Hearing expenses	2,171
Total operating expenses	<u>\$ 693,222</u>
Operating income (loss)	<u>\$ (68,067)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	\$ 3,372
Dividend income	5,354
Realized and unrealized gain (loss) on investments	56,290
Loss on disposal of capital asset	<u>(238)</u>
Total non-operating revenues	<u>\$ 64,778</u>
Change in net position	<u>\$ (3,289)</u>
Net position - beginning of year	<u>728,249</u>
Net position - end of year	<u><u>\$ 724,960</u></u>

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	2018
	Proprietary- Enterprise Fund
Cash flows from operating activities:	
Cash received from fees	\$ 616,955
Cash payments to employee(s) for services	(334,050)
Cash payments for operating expenses	(399,409)
Net cash provided (used) by operating activities	<u>\$ (116,504)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (2,465)
Net cash used in capital and related financing activities	<u>\$ (2,465)</u>
Cash flows from investing activities:	
Interest and dividends	\$ 8,726
Proceeds from sale of investments	31,390
Proceeds from the return of principal	35,464
Purchases of investments	(37,658)
Net cash provided (used) by investing activities	<u>\$ 37,922</u>
Net increase (decrease) in cash	<u>\$ (81,047)</u>
Cash - beginning of year	<u>365,978</u>
Cash - end of year	<u><u>\$ 284,931</u></u>

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	<u>2018</u>
	<u>Proprietary- Enterprise Fund</u>
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income (loss)	\$ (68,067)
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	\$ 5,581
Changes in assets and liabilities:	
Receivables	(30,000)
Prepaid expense	238
Accounts payable	(17,957)
Other liabilities	1,900
Unearned revenue	(8,199)
Total adjustments	\$ (48,437)
Net cash provided (used) by operating activities	<u>\$ (116,504)</u>
Supplemental disclosure(s) of noncash investing, capital, and financing activities:	
Capital asset write-offs	<u>\$ (238)</u>

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina State Board of Examiners in Optometry (the "Board") is an independent state board. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of seven members who are appointed by the Governor of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

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

The Board's operations are financed with self-generated revenues from fees charged to 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 STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 Statement 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 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 mutual funds, United States government mortgage-backed securities, and certain certificates of deposits held by the Board for investment. Investments are generally reported at fair value. Certificates of deposit are reported at cost plus accrued interest (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).

Accounts Receivable

This classification includes receivables for reimbursements due from licensees for investigative and legal expenses.

Prepaid Expense

This classification includes expense which was prepaid at year end for an office equipment lease.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

Capital Assets

Property and equipment 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 \$100 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 10 years.

Compensated Absences

After meeting the years of aggregate service qualification period worked requirements (except that prior grand-fathered leave beginning balance is in place), Board employees may accumulate up to a maximum of twenty days vacation per year and up to a maximum of twelve days of sick leave per year. Within 90 days after fiscal year end, the prior year's accumulated vacation and sick leave is paid out as compensation to each respective employee if that vacation time is not used. Employees may also accrue extra compensatory time worked, which is subject to the same payout provisions as vacation and sick leave. Further, the same payout provisions are applicable to retiring and terminating employees. Accumulated earned compensated leave payable at June 30, 2018 consisted of the following:

	<u>June 30, 2018</u>
Current portion	\$ 18,457
Long-term portion	<u>54,535</u>
Total	<u>\$ 72,992</u>

Unearned Revenue

The Board's fees are assessed and collected on a calendar year basis. Licenses are renewed for a period of one year. License fees received in the latter part of the fiscal year are deferred and recognized as revenue over the period to which they relate. Examination fees collected during the current year, which examinations are given subsequent to year end, are deferred and recognized in the succeeding year.

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*.

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

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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.

Note 2 - Deposits and Investments

Deposits

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NCGS 159-31 and 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 \$474,936 and a bank balance of \$506,911, which was covered by federal depository insurance (including the cash account held in the Board's brokerage account). Certificates of deposit in the amount of \$190,005 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

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 market fluctuations and interest rate variances, the Board limits its investments to mutual funds, United States government mortgage-backed securities, and to certificates of deposits with maturities of no more than 48 months.

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 mutual funds, United States government mortgage-backed securities, and to certificates of deposits with maturities of no more than 48 months.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 2 - Deposits and Investments (Continued)

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

Investment Type	Cost	Fair Value	Unrealized Gain (loss)
Certificates of Deposit	\$ 190,005	\$ 190,005	\$ -
US Mortgage-Backed Securities	50,586	62,002	11,416
Mutual Funds	392,373	497,479	105,106
	\$ 632,964	\$ 749,486	\$ 116,522

The certificates of deposit are non-negotiable and are not rated, have a weighted average maturity of 30 months, and their cost (plus accrued interest) equals their fair value. The U.S. government mortgage-backed securities generally consist of Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) security obligations. At year end, the Board only held GNMA bonds. These particular bond issues are not rated. GNMA bonds have extended maturities, but are callable at any time. The majority of the Board's investments (\$497,479) were in open-end mutual funds at June 30, 2018.

Reconciliation of Deposits and Investments

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

	June 30, 2018
Carrying Amount of Bank Deposits - Bank Accounts	\$ 115,084
Carrying Amount of Bank Deposits - FDIC Brokerage Account	169,847
Certificates of Deposit	190,005
US Government Mortgaged-Backed Securities	62,002
Mutual Funds	497,479
Total Deposits and Investments	\$ 1,034,417
Current:	
Cash and Cash Equivalents	\$ 284,931
Noncurrent:	
Investments	749,486
Total Deposits and Investments	\$ 1,034,417

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, if applicable) accounted for at fair value on a recurring basis as of June 30, 2018:

	2018			
	Total	Level 1	Level 2	Level 3
	Fair Value			
Certificates of Deposit	\$ 190,005	\$ -	\$ 190,005	\$ -
US Mortgage-Backed Securities	62,002	62,002	-	-
Mutual Funds	497,479	497,479	-	-
	<u>\$ 749,486</u>	<u>\$ 559,481</u>	<u>\$ 190,005</u>	<u>\$ 0</u>

Note 4- Accounts Receivable - Investigative and Legal Fee Reimbursements

At June 30, 2018, licensees' accounts receivable for investigative and legal fee reimbursements were as follows:

	Amount of Reimbursement	Received by June 30, 2018	Receivable at June 30, 2018
Non-Public Letter of Concern	\$ 40,000	\$ -	\$ 40,000
Dr. James E. Harris, Jr.	10,000	2,000	8,000
Dr. Ahmed H. Said	7,000	-	7,000
	<u>\$ 57,000</u>	<u>\$ 2,000</u>	<u>\$ 55,000</u>

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
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YEAR ENDED JUNE 30, 2018

Note 5- Capital Assets

Changes in capital assets as of and for the year ended June 30, 2018 is as follows:

	Cost 06-30-17	Acquisitions	Disposals	Cost 06-30-18	Accumulated Depreciation	Net Amount
Office/computer equipment	\$ 102,164	\$ 2,465	\$ 21,462	\$ 83,167	\$ 44,090	\$ 39,077
	<u>\$ 102,164</u>	<u>\$ 2,465</u>	<u>\$ 21,462</u>	<u>\$ 83,167</u>	<u>\$ 44,090</u>	<u>\$ 39,077</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 \$5,581 for the fiscal year ended June 30, 2018. There was a loss on the disposal of a capital asset in the amount of \$238.

Note 6 - 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.

	June 30, 2018
Due to Vendors	\$ 18,112
Total Accounts Payable	<u>\$ 18,112</u>

Note 7 - Operating Leases (Including Related Party Information)

The Board leased office space and office equipment under operating leases. Total rent expense charged to operations under the lease agreements was \$16,746 (\$15,622 for the office space lease and \$1,124 for the office equipment lease) during 2018.

The Board leases, from the Executive Administrator, an office building located at 109 North Graham Street, Wallace, North Carolina 28466. Specifically, the building contains an estimated 1500 square feet of heated and cooled space, with a paved drive, and is located on a lot that is 150 feet wide and 150 feet deep. The annual lease agreement for the year ended June 30, 2018 was approved by the Board on September 14, 2017 and includes a provision for a 2% annual increase. The monthly rental for the fiscal year ended June 30, 2018 was \$1,302 per month (\$15,622 annually). This was the first year of a three year lease agreement.

Rental commitments under the noncancellable operating lease at June 30, 2018 are as follows:

Year Ended June 30,	
2019	\$ 17,058
2020	17,376
2021	<u>1,182</u>
	<u>\$ 35,616</u>

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 8 - Non-Current Liabilities

A summary of changes in non-current liabilities for the year ended June 30, 2018 follows:

	Balance 06-30-17	Additions	Deletions	Balance 06-30-18	Current	Non- Current
Compensated absences	\$ 71,088	\$ 21,543	\$ 19,639	\$ 72,992	\$ 18,457	\$ 54,535
	<u>\$ 71,088</u>	<u>\$ 21,543</u>	<u>\$ 19,639</u>	<u>\$ 72,992</u>	<u>\$ 18,457</u>	<u>\$ 54,535</u>

Note 9- Retirement Plan(s) and Postemployment Benefits Other Than Retirement Plan(s)

Simplified Employee Pension Plan

On January 25, 1991, the Board entered into a Simplified Employee Pension plan agreement on behalf of eligible employee(s) of the Board. Two employees are covered under the plan, one management employee and one clerical staff employee. Only the Board contributes to the plan, and only the Board has the authority to authorize and amend the plan. There are no forfeitures inuring to other employees under this type plan. The Board's payroll for employee(s) covered by the plan for the year ended June 30, 2018 was \$133,400; the Board's total payroll was \$268,704. The Board's pension contribution amounted to \$13,340 for 2018. The Board's payroll for employee(s) covered by the plan for the year ended June 30, 2017 was \$123,400; the Board's total payroll was \$219,628. The Board's pension contribution amounted to \$12,340 for 2017. The Board had contingent liabilities to the plan at June 30, 2018 and 2017, but because the plan is a discretionary contribution plan, such liabilities are not accrued or disclosed. The Board assumes no liability for retiree benefits provided by this program other than its required contributions. The Board has no postemployment benefits other than this defined contribution retirement plan.

Note 10 - Contingencies

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit does not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 11 - 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 (other than claims by employees for health and dental coverages) were filed during the last three fiscal years.

Public Officers and Employees Liability Insurance - Tort claims against Board members of up to \$1,000,000 (NCGS 143-299.2) are retained by the State under the authority of the State Tort Claims Act. Additional coverage is provided by the Board through the purchase of excess Director's and Officer's Liability insurance with a private insurance carrier.

NORTH CAROLINA STATE BOARD OF EXAMINERS IN OPTOMETRY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 11 - Risk Management (Continued)

Fire and Other Loss Insurance - Fire and coverage of property and other losses are covered with a private insurance carrier.

Employee and Computer Fraud - The Board is protected for losses from employee dishonesty and computer fraud with a private insurance carrier.

Comprehensive Major Medical Insurance - Employees are provided health care coverage under a private health insurance carrier.

Dental and Vision Reimbursement Plan - On July 25, 1991, the Board approved a self-insured dental plan for full-time employees to which the Board contributes \$25 per month per employee. Effective July 1, 2016, the plan was amended to include vision coverage, to which the Board contributes an additional \$25 per month per employee. Benefits are only payable for actual dental and vision work performed during the time the employees are employed by the Board, and benefits are subject to an unlimited carryover period. The plan sets a maximum dental and vision benefit payable.

Employee Life Insurance - Employees are provided life insurance coverage under a private insurance carrier.

Note 12 - Subsequent Events

Subsequent events have been evaluated through October 8, 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 13 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 89 audit hours at a cost of \$9,795.