NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS AND INSPECTORS CERTIFICATION BOARD

(A Component Unit of the State of North Carolina)

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

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For the Year Ended June 30, 2014

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
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June 30, 2014

BOARD OF DIRECTORS

Russ Davis, Chair

Russ Ayers, Vice-Chair

Jerry Pearce, Secretary/Treasurer

Diana Rashash

Jeff Knight

Mark Brooks

Walter James

Glenn Hines

Adam Waters

EXECUTIVE DIRECTOR

Connie Stephens

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

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June 30, 2014

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GIBSON & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
North Carolina On-Site Wastewater Contractors
and Inspectors Certification Board

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board (the "Board") (a component unit of the State of North Carolina), a licensing board of the State of North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 judgment, 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

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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.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board as of June 30, 2014, and the respective changes in financial position, and cash flows, where appropriate, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a required 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 historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gehson + Company, P.A.

Winston-Salem, North Carolina
August 21, 2014

North Carolina On-Site Wastewater Contractors and Inspectors Certification Board (A Component Unit of the State of North Carolina)

Management's Discussion and Analysis

As management of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board, we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board's financial statements, which follow this narrative.

Financial Highlights

- The assets of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board exceeded its liabilities at the close of the fiscal year by $896,564 (net position).
- The Board's total net position increased by $53,494.

Overview of the Financial Statements

This financial report consists of two sections, *management's discussion and analysis* and the *financial statements*.

The financial statements are prepared using the full accrual basis of accounting. They consist of three statements. The first statement is the **Statement of Net Position**. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses, and Changes in Net Position**. This statement is used in evaluating whether the Board has recovered all of its costs through application and renewal fees.

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the financial statements provide more detailed information and should be read in conjunction with the statements.

Financial Analysis of the Board

Net position is an indicator of the fiscal condition of the Board. Assets exceeded liabilities by $896,564 and $843,070 at June 30, 2014 and 2013, respectively. Following is a summary of the Statement of Net Position as of June 30, 2014 and 2013:

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013
Current and other assets	$ 972,961	$ 922,327
Capital assets	2,074	2,998
Total assets	975,035	925,325
Current liabilities	78,471	82,255
Non-current liabilities	-	-
Total liabilities	78,471	82,255
Net investment in capital assets	2,074	2,998
Unrestricted net position	894,490	840,072
Total net position	$ 896,564	$ 843,070

Net position increased by $53,494 and $35,892 for the years ended June 30, 2014 and 2013, respectively, primarily due to fees collected exceeding expenses. Following is a summary of the change in net position:

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013
Operating revenues	$ 192,188	$ 190,713
Operating expenses	143,828	162,257
Operating income	48,360	28,456
Non-operating revenues (expenses)	5,134	7,436
Change in net position	53,494	35,892
Net position, July 1	843,070	807,178
Net position, June 30	$ 896,564	$ 843,070

Capital Assets

The Board's investment in capital assets as of June 30, 2014 totals $2,074 (net of accumulated depreciation). Capital asset transactions during the year include the following:

- The Board traded two Acer Notebooks for one Sony Tablet with no additional cash payment required.

Table 3
Capital Assets
(net of depreciation)

	June 30, 2014	June 30, 2013
Equipment	$ 2,074	$ 2,998
Total	$ 2,074	$ 2,998

Requests for Information

This report is designed to provide an overview of the Board's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Connie Stephens
Executive Director
PO Box 132
Lawsonville, NC 27022
(336) 202-3126

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current assets	
Cash and cash equivalents	$ 106,551
Total current assets	106,551
Non-current assets	
Certificates of deposit designated for future enforcement	866,410
Property and Equipment	
Equipment	4,581
Less accumulated depreciation	(2,507)
	2,074
Total assets	975,035

LIABILITIES AND NET POSITION

Current liabilities	
Accounts payable	1,334
Fees collected but unearned	77,137
Total current liabilities	78,471
Net position	
Net investment in capital assets	2,074
Unrestricted	894,490
Total net position	$ 896,564

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

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

OPERATING REVENUES		
Certification renewal fees	$	159,038
Certification application fees		32,900
Miscellaneous revenue		250
Total operating revenues		192,188
OPERATING EXPENSES		
Contractual management services		72,800
Travel reimbursement - board members		4,559
Travel reimbursement - staff		3,591
Accounting expense		19,875
Legal fees		22,491
Postage		2,484
Printing		4,565
Investigations		3,539
Telephone		3,574
Bank charges		509
Office expense		4,214
Website expense		119
Depreciation		924
Miscellaneous		584
Total operating expenses		143,828
Operating income		48,360
NON-OPERATING REVENUES (EXPENSES)		
Interest income		5,134
Total non-operating revenues (expenses)		5,134
CHANGE IN NET POSITION		53,494
NET POSITION AT BEGINNING OF YEAR		843,070
NET POSITION AT END OF YEAR	$	896,564

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

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities		
Cash received from fees and other sources	$	191,700
Cash payments for operating expenses		(146,200)
Net cash provided by operating activities		45,500
Cash flows from investing activities		
Purchase of certificate of deposit		(200,000)
Net cash used by investing activities		(200,000)
Net decrease in cash and cash equivalents		(154,500)
Cash and cash equivalents, beginning of year		261,051
Cash and cash equivalents, end of year	$	106,551

Reconciliation of operating income to net cash provided by operating activities:

Operating income	$	48,360
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		924
Changes in assets and liabilities:		
Decrease in accounts payable		(3,296)
Decrease in fees collected but unearned		(488)
Total adjustments		(2,860)
Net cash provided by operating activities	$	45,500
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Interest income added to certificates of deposit	$	5,134
Equipment purchased by trade-in	$	994

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

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The North Carolina On-Site Wastewater Contractors and Inspectors Certification Board (the "Board") (a component unit of the State of North Carolina) is an independent state agency. The Board is an occupational licensing board and is authorized by Chapter 90A of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor and the General Assembly of the State of North Carolina. The Board is established to protect the environment and public health, safety, and welfare by ensuring the integrity and competence of on-site wastewater contractors and inspectors. The Board's operations are financed with self-generated revenues from fees charged to licensees.

Basis of Presentation

The accounting policies of the Board conform to generally accepted accounting principles as applicable to governments.

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

Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor and the General Assembly appoint the Board members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements report all activities using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

Deposits

All deposits of the Board are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Cash and Cash Equivalents

The Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash and cash equivalents.

Certificates of Deposit Designated for Future Enforcement

The certificates of deposit have original maturities ranging from 6 to 60 months and have been designated by the Board for future enforcement to include investigating and ensuring compliance with the applicable state statutes.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	Useful Life
Equipment	5 years

Fees Collected But Unearned

Certification renewal fees are due in November and cover the licensee for the next calendar year ending December 31st. Fees collected but unearned at June 30th are deferred.

Certification application fees are collected from applicants to cover the cost of processing their application, administering the necessary tests, and issuing their certificate. These fees are recognized as revenue when collected.

Net Position

Net position consists of the following:

Net investment in capital assets – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position – This component of net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

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, net of related debt.

Use of Estimates

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

2. CASH AND CASH EQUIVALENTS

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The Board from time to time may have amounts on deposit in excess of the insured limits.

At June 30, 2014, total Board deposits (including certificates of deposit designated for future enforcement) had a carrying amount of $972,961 and a bank balance of $975,522. As of June 30, 2014, the Board had no amounts on deposit in excess of the insured limits.

NORTH CAROLINA ON-SITE WASTEWATER CONTRACTORS
AND INSPECTORS CERTIFICATION BOARD
(A Component Unit of the State of North Carolina)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

3. PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Equipment	$ 4,803	$ 994	$ 1,216	$ 4,581
Less accumulated depreciation	1,805	924	222	2,507
Total property and equipment, net	$ 2,998			$ 2,074

4. CONTRACTUAL MANAGEMENT SERVICES

The Board treats its executive director as an independent contractor. The Board contracts with the executive director to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other administrative duties. Payments to the executive director related to these services totaled $72,800 for the year ended June 30, 2014.

5. RISK MANAGEMENT

The Board is exposed to various risks 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.

6. CONTINGENCIES

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

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 21, 2014, which is the date the financial statements were available to be issued.