

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

**Financial Statements and
Supplemental Schedules for the
Years Ended December 31, 2002 and 2001, and
Independent Auditor's Report**

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FUND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001	
Balance Sheets - All Fund Types	2
Statements of Revenues and Expenditures and Changes in Fund Balances - All Fund Types	3-4
Notes to Financial Statements	5-8
SUPPLEMENTAL SCHEDULES OF CAPITAL ASSETS - YEARS ENDED DECEMBER 31, 2002 AND 2001	9

Shelton L. Hawley, CPA, PA
Certified Public Accountant

Suite B1
1004 N. Raleigh St.
P.O. 1545
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825
Facsimile: (919) 639-3102

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina State Board of Sanitarian Examiners
Brown Summit, North Carolina

We have audited the accompanying fund financial statements of the North Carolina State Board of Sanitarian Examiners (the "Board"), an agency of the State of North Carolina, as of December 31, 2002 and 2001, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the Board. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the accompanying fund financial statements present only the funds of the North Carolina State Board of Sanitarian Examiners and do not purport to, and do not, present fairly the financial position of the State of North Carolina as of December 31, 2002 and 2001, and the changes in its financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly in all material respects, the financial position of the Board as of December 31, 2002 and 2001, and the changes in its financial condition for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the fund financial statements taken as a whole. The supplemental schedules of capital assets for the years ended December 31, 2002 and 2001 are presented for purposes of additional analysis and are not a required part of the fund financial statements. These supplemental schedules are the responsibility of the Board's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the fund financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the fund financial statements taken as a whole.

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

July 31, 2003

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS
BALANCE SHEETS
ALL FUND TYPES
DECEMBER 31, 2002 AND 2001

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
	<u>Governmental - Special Revenue Fund</u>	<u>Governmental - Special Revenue Fund</u>
ASSETS		
Cash in bank	\$ 39,383	\$ 44,669
Cash in State Treasurer	45,045	42,895
Accrued interest receivable	<u>173</u>	<u>199</u>
TOTAL	<u><u>84,601</u></u>	<u><u>87,763</u></u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	2,092	296
Deferred revenues	<u>31,675</u>	<u>31,290</u>
Total liabilities	33,767	31,586
 FUND EQUITY		
Fund balance (Note 6)		
Unreserved and undesignated	<u>50,834</u>	<u>56,177</u>
Total fund equity	<u>50,834</u>	<u>56,177</u>
TOTAL	<u><u>\$ 84,601</u></u>	<u><u>\$ 87,763</u></u>

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE - ALL FUND TYPES YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
	<u>Governmental - Special Revenue Fund</u>	<u>Governmental - Special Revenue Fund</u>
REVENUES:		
Certificate renewal fees	\$ 35,250	\$ 35,700
Late renewal fees	200	115
Intern application fees	1,190	1,785
Examination fees	6,930	7,229
Miscellaneous income	10	54
Interest income	<u>2,184</u>	<u>2,468</u>
Total revenues	45,764	47,351
EXPENDITURES:		
Contractual management services (Note 3)	16,080	15,560
Board members expenses - travel and per diem	15,569	12,748
Staff travel expenses	1,532	814
Telephone	1,169	1,794
Exam expenses	6,930	7,326
Office supplies	1,260	778
Capital asset purchases		138
Printing	4,145	4,506
Postage	2,138	2,484
Insurance	100	104
Audit fees	2,000	1,500
Miscellaneous	<u>184</u>	<u>58</u>
Total expenditures	\$ 51,107	\$ 47,810

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE - ALL FUND TYPES YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
	<u>Governmental - Special Revenue Fund</u>	<u>Governmental - Special Revenue Fund</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (5,343)	\$ (459)
FUND BALANCE, BEGINNING OF YEAR	\$ 56,177	\$ 52,478
RESTATEMENT OF BEGINNING FUND BALANCE (NOTE 6)		4,158
ADJUSTED FUND BALANCE, BEGINNING OF YEAR		56,636
FUND BALANCE, END OF YEAR	\$ 50,834	\$ 56,177

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002 AND 2001

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Financial Reporting Entity - The North Carolina State Board of Sanitarian Examiners (the "Board") is established by the General Statutes of North Carolina to maintain minimum standards for services provided by sanitarians. The Board's operations are funded through license fees, examination fees and other income.

The Board is considered an agency of the State of North Carolina for financial reporting purposes, and is granted independent authority by the North Carolina General Statutes. The nine Board members are appointed by the Governor of the State of North Carolina. The Board is entitled to the services of the Attorney General of North Carolina.

The accompanying financial statements present all funds belonging to the Board. The Board has one fund, an Operating Fund.

Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Because the Board is not a separate legal entity or component unit as defined under GASB Statement No. 34, this financial report does not include a Management Discussion and Analysis, a Statement of Net Assets, a Statement of Activities, a Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities and certain supplementary information. The accompanying financial statements include fund financial statements, required footnote disclosures and supplemental schedules deemed necessary for fund or departmental financial reporting.

The financial activities of the Board are organized on a basis of individual funds and account groups, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The financial activities of the Board accounted for in the accompanying financial statements have been classified into the following fund category.

- a. **Special Revenue Fund** - The special revenue fund is where all governmental functions of the Board are financed. The acquisition, use and balances of the Board's expendable financial resources and related liabilities are accounted for through governmental funds. Transactions related to resources obtained from specific revenue sources that are legally restricted to expenditures for specific purposes are accounted for in the special revenue fund. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination.

Basis of Accounting - The financial statements of the Board have been prepared on the modified accrual basis of accounting appropriate for governmental entities. Under this method, revenues are recognized in the period when earned and available to finance the Board's operations. Expenditures are recorded when the liabilities are incurred.

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002 AND 2001

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies - The significant policies are summarized below:

- a. *Cash in Bank* - This classification includes checking accounts and time deposits held by the Board.
- b. *Cash in State Treasurer* - This classification consists of deposits with the State Treasurer of North Carolina.
- c. *Deferred Revenues* - The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License fees received in the latter part of the fiscal year are deferred and recognized as revenue over the one year period to which they relate.
- d. *Capital Assets* - Capital asset transactions are recognized in the special revenue fund for reporting purposes. The purchase of capital assets is reflected as an expenditure in the year of acquisition. The proceeds from the sale of capital assets are reflected as revenue in the year of disposal. Depreciation of capital assets is not provided in the fund financial statements. Schedules of changes in capital assets are presented as supplemental schedules in this financial report. Capital assets owned by the Board consist primarily of data processing equipment, software and office furniture and fixtures with lives which range from 5 to 20 years.
- e. *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.

2. DEPOSITS

Cash in bank

At December 31, 2002, the Board's deposits with financial institutions had a carrying amount of \$39,383 and a bank balance of \$40,823, which was covered by federal depository insurance. At December 31, 2001, the Board's deposits with financial institutions had a carrying amount of \$44,669 and a bank balance of \$39,398, which was covered by federal depository insurance.

Cash in State Treasurer

At December 31, 2002, the Board's deposits with the State Treasurer had a carrying value and a bank balance of \$45,045. At December 31, 2001, the Board's deposits with the State Treasurer had a carrying value and a bank balance of \$42,895. It is the State Treasurer's policy and practice for his deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for his investments to be held by the State's agent in the State's name.

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002 AND 2001

3.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 secretarial duties. Payments to the management service totaled \$16,080 during the fiscal year ended December 31, 2002. Payments to the management service totaled \$15,560 during the fiscal year ended December 31, 2001.

4.RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; and errors and omissions. The Board has limited protection from potential loss through commercial insurance coverage and through the State of North Carolina.

5.CONTINGENCIES

Disciplinary Hearings

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 its financial position or changes in its financial condition for the years herein ended.

NC School Boards Association, Inc. et al v. Harlan Boyles, State Treasurer, et al

The North Carolina School Board Association and several county boards of education have filed an action against various state agencies, including several occupational licensing boards, to collect "fines and penalties" as defined under the State Constitution from these agencies. In the past, these fines and penalties have been reported as income on the Board's statement of revenues, expenditures and changes in fund balances. A ruling was entered in this case in the Superior Court of Wake County in December 2001 directing that monies collected by reason of late renewal of license constitutes a fine or penalty as defined under the State Constitution, and should be disbursed to the public schools. The order appears to impact all years after 1995. The ruling provides that the monies may be reduced by the amounts involved in the collection of the money. The decision of the Superior Court of Wake County has been stayed and an appeal to the North Carolina Court of Appeals is pending. It is considered likely that any ruling by the Court of Appeals will be appealed to the North Carolina Supreme Court. Other state agencies affected by the order, but not named as defendants, are expected to participate in the appeal. While there is a possibility that the plaintiffs will obtain partial relief, the Board's intention is to vigorously contest this claim. At December 31, 2002 and 2001, no reasonable estimate of any potential liability can be made. Accordingly, in the opinion of management of the Board, the resulting liability of this case does not materially affect its financial position or changes in its financial condition for the years herein ended.

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002 AND 2001

6.RESTATEMENT OF BEGINNING FUND BALANCE

The Board has restated its beginning fund balance in the amount of \$4,158 for the year ended December 31, 2000 to correct an overstatement of accounts payable arising in a prior year. Revenues in excess of expenditures for the fiscal years ended December 31, 2002 and 2001 did not change as a result of this restatement.

NORTH CAROLINA STATE BOARD OF SANITARIAN EXAMINERS

SUPPLEMENTAL SCHEDULES OF CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2002 AND 2001

	<u>December 31,</u> <u>2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31,</u> <u>2002</u>
Furniture and equipment	\$ 1,751	\$	\$	\$ 1,751
Total	\$ 1,751	\$	\$	\$ 1,751

	<u>December 31,</u> <u>2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31,</u> <u>2001</u>
Furniture and equipment	\$ 1,613	\$ 138	\$	\$ 1,751
Total	\$ 1,613	\$ 138	\$	\$ 1,751