

***ONE HUNDRED THIRTY-FIFTH***

***ANNUAL REPORT***

***NORTH CAROLINA***

***BOARD OF PHARMACY***

***2016***



ONE HUNDRED THIRTY-FIFTH ANNUAL REPORT  
NORTH CAROLINA BOARD OF PHARMACY

October 1, 2015 – September 30, 2016

Available at: <http://www.ncbop.org/about/about.htm>

MEMBERS AND ORGANIZATION

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*PER REQUIREMENTS OF N.C.G.S. § 93B-2*

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Gene Winston Minton, Littleton, President..... Term expires April 30, 2020  
L. Stanley Haywood, Asheboro, Vice President ..... Term expires April 30, 2020  
William A. Mixon, Hickory ..... Term expires April 30, 2022  
Carol Yates Day, Carrboro ..... Term expires April 30, 2017  
Robert A. Graves, Asheboro ..... Term expires April 30, 2020  
J. Andrew Bowman, Lillington ..... Term expires April 30, 2021

Executive Director

Jack W. Campbell IV, Hillsborough

Associate Executive Director

Ellen Vick, Durham

General Counsel

Clinton R. Pinyan, Greensboro

Investigators/Inspectors

Joshua Kohler, Director, Raleigh  
Krystal Brashears, Assistant Director, Clayton  
Cindy Parham, Coordinator, Mebane  
Summer Canoy, Stem  
Catherine Collier, Aberdeen  
Christie Cutbush, Lumberton  
Maria Fabiano, Wilmington  
Holly Price Hunt, Lincolnton  
Sandra Knuckles, Boone  
Lisa Mendez, Raleigh  
Kimberly Sims, Youngsville  
Jason Smith, Monroe  
Loretta Wiesner, Asheville  
J. Ken Wilkins, Walnut Cove

Licensing

Debbie Stump, Director, Mebane  
Wendy Watson, Durham  
Missy Betz, Chapel Hill  
Stacie Mason, Pittsboro  
Leslie Wilson, Chapel Hill

Financial and HR Services

Gail Brantley, Director, Durham  
Rhonda Jones, Pittsboro  
Krystal Smith, Durham

Operations

Kristin Moore, Director, Durham  
Thomas Buedel, Mebane  
Lisa Parker-Hawkins, Bahama

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Chapel Hill, North Carolina  
October 28, 2016

Governor Pat McCrory  
Raleigh, North Carolina

Dear Governor McCrory:

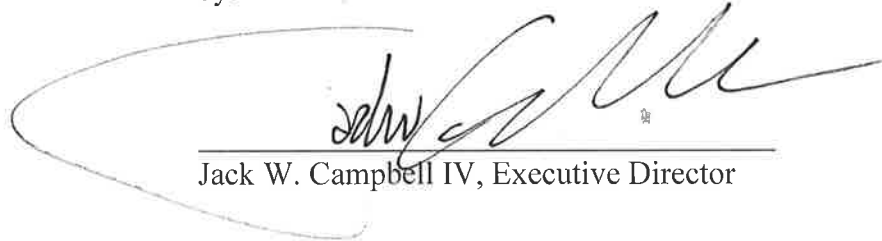
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Thirty-Fifth Annual Report of the North Carolina Board of Pharmacy.

Please note that this report and past annual reports are available to the public through the Board's website at this address: <http://www.ncbop.org/about/about.htm>

Respectfully yours,

NORTH CAROLINA BOARD OF PHARMACY

by:



Jack W. Campbell IV, Executive Director

\*\*Note Concerning the Timing of this Annual Report and the Board's Financial Statement and Audit Report\*\*

The Board of Pharmacy's fiscal year runs from October 1 through September 30. Accordingly, the Board cannot submit its audited FY2015-16 financial statement contemporaneously with this report. The Board's annual financial audit is scheduled for November 7-11, 2016. Board staff anticipates receipt of its financial audit report in December 2016. Board staff further anticipates that, consistent with prior years, the Board members will review and approve the audit report at its regularly scheduled business meeting in January 2017.

Per instructions from the Office of State Budget and Management ("OSBM"), Board staff has informed OSBM of its fiscal year end date and will submit the audited financial report no later than four months after fiscal year end.

Please note that the audited FY2014-15 financial report was previously submitted in January 2016 to the appropriate agencies as required by Chapter 93B. That financial report is resubmitted as an attachment to this report.

## Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY 2015-16. The below information, and much more, may be found on the Board's website, [www.ncbop.org](http://www.ncbop.org); in the Board's quarterly newsletters, <http://www.ncbop.org/newsletters.htm>; and in the agendas for, and minutes of, the Board's regularly scheduled meetings, <http://www.ncbop.org/about/meetings.htm>.

The Board also broadcasts its regular business meetings via a streaming YouTube channel. Instructions for viewing Board meetings are found on the front page of the Board's website, [www.ncbop.org](http://www.ncbop.org). The Board meets the third Tuesday of every month, except in August and December.

## Board Personnel

### Members

All Board members received all training required by NCGS § 93B-5(g) in September 2016. All Board members are current in their refresher training required by the State Government Ethics Act.

On May 1, 2016, John Andrew "Andy" Bowman of Lillington was commissioned by Governor McCrory to a five-year term holding the Board seat from the Southeastern District (Beaufort, Bladen, Brunswick, Carteret, Columbus, Craven, Cumberland, Duplin, Greene, Harnett, Hoke, Johnston, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Pitt, Robeson, Sampson, Scotland, and Wayne counties). Dr. Bowman is both the Director of Continuing Education and a Clinical Assistant Professor of Pharmacy Practice at the Campbell University College of Pharmacy and Health Sciences. Dr. Bowman is also the first graduate of Campbell's pharmacy program to be elected to the Board of Pharmacy.

In the Spring of 2016, the Board conducted elections for two positions on the Board of Pharmacy – the Northern District seat (Alamance, Caswell, Forsyth, Guilford, Orange, Person, Rockingham, Stokes, Surry, and Yadkin counties) and the Western District (Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes, and Yancey counties).

The pharmacists of North Carolina elected Keith Vance of Lewisville to a five-year term from the Northern District to commence upon the Governor's commissioning on May 1, 2017. Dr Vance is a 2002 graduate of the Campbell University College of Pharmacy & Health Sciences. He owns and operates Lewisville Drug Company.

The pharmacists of North Carolina elected William A. "Bill" Mixon of Hickory to a second five-year term from the Western District to commence upon the Governor's

commissioning on May 1, 2017. Mr. Mixon is a 1977 graduate of the Medical University of South Carolina School of Pharmacy, as well as a 1983 graduate of the master's degree program in hospital pharmacy at the University of North Carolina Eshelman School of Pharmacy. Mr. Mixon serves on the United States Pharmacopeia Expert Committee for Compounding, and as a member of the United States Food and Drug Administration's Pharmacy Compounding Advisory Committee.

#### Device and Medical Equipment Subcommittee

By rule, the Board has a Device and Medical Equipment Subcommittee that is composed of DME permit holders and serves as a body of experts to advise and recommend actions to the Board in the specific field of DME regulation. In June 2016, the DME Subcommittee held an election for the Medical Oxygen Supplier representative seat. NC DME permit holders elected David Chandler to the position. The Board certified the election result at its July 19, 2016 meeting.

#### Staff

Kimberly Sims joined Board staff in September 2016 as an Investigator/Inspector. Ms. Sims will conduct investigations primarily in the Northeastern District of North Carolina. Ms. Sims comes to us as an eight-year veteran of the Wilson Police Department. She worked patrol, then moved into investigations before serving on the Department of Treasury Task Force and Homeland Security Task Force.

Krystal Smith joined Board staff in October 2016 as the Accounting Manager. In 2015 she received her bachelor of science in accounting from North Carolina Wesleyan College in Durham. She brings a wealth of accounting knowledge and experience to the board and is due to complete her CPA licensure in November.

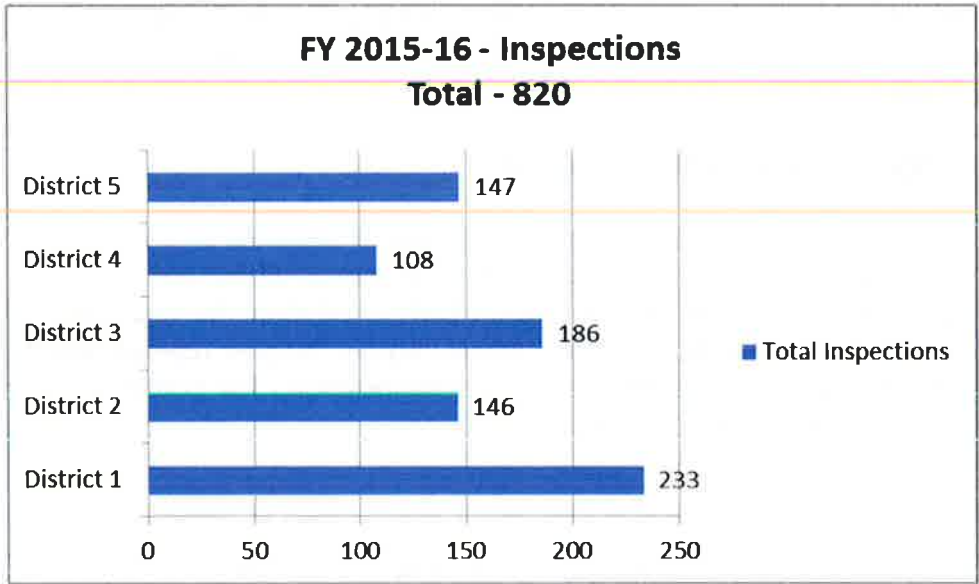
Lisa Parker-Hawkins joined Board staff in July 2016 as the Receptionist / Administrative Assistant. A graduate of North Carolina Central University, Ms. Parker-Hawkins brings to the Board of Pharmacy over 20 years of customer service and administrative support experience, particularly in the health-care and legal fields. Lisa is a mother of two and lives in Bahama, NC with her husband.

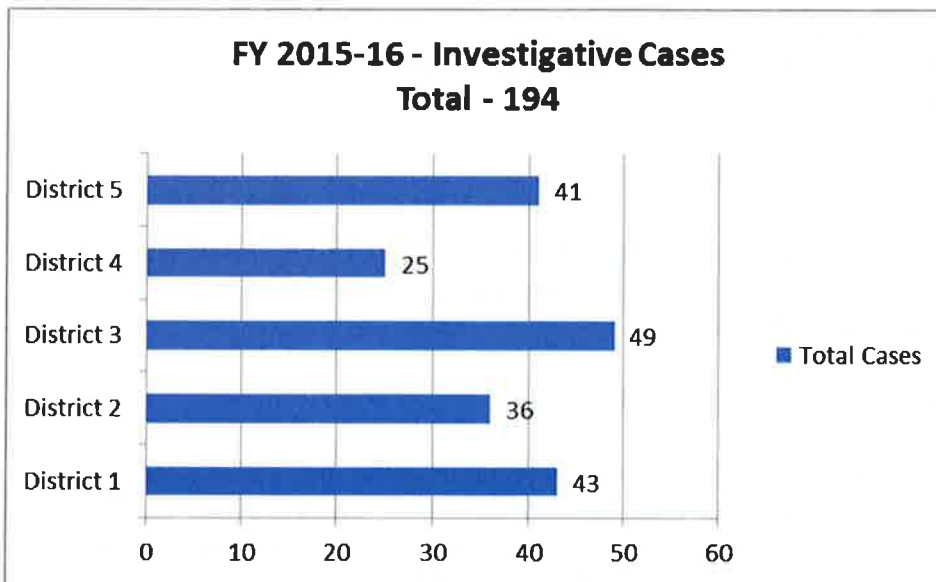
#### Investigations and Inspections Activity

As reported last year, the Board reorganized the Investigations and Inspections Department. Under project Team FOCUS, Board staff divided the state into five geographic districts, each staffed with two field personnel – one acting primarily in an investigator capacity and one acting primarily in an inspector capacity. As well, a Senior Investigator/Inspector floats among the different districts to help where he is needed.

The Team FOCUS reorganization has almost tripled the amount of routine inspections performed by the department. During FY 2015-16, field staff performed 820 inspections and investigated 194 complaints. As the chart below shows, the geographic

division of the state has reasonably balanced workload among field staff, which has in turn improved throughput.





Given the continuing focus on the safety and quality of compounded prescription drug products, the department has maintained a high commitment – in time and monetary resources – to keeping field staff highly trained in compounding standards including, particularly, United States Pharmacopeia standards (which are required by both federal and state law). Each Investigator/Inspector completes both on-line and hand-on sterile compounding training. During FY 2015-16, field staff also received in-house training on procedures for entering a sterile cleanroom, which training will be repeated semi-annually.

As well, two investigators have completed the rigorous National Association of Boards of Pharmacy/CriticalPoint certification course in sterile compounding. During FY 2016-17, four more Investigators/Inspectors are scheduled to complete this certification course.

Consistent with its obligation to protect the public health and safety, the Investigations and Inspections Department implemented a system to conduct periodic sweeps of the North Carolina court system for public records concerning criminal charges filed, pending, or resolved against Board licensees or registrants.

The Board’s procedure for reviewing and, potentially, taking action based upon such public information may be found at [www.ncbop.org/PDF/BackgroundCheckPolicy.pdf](http://www.ncbop.org/PDF/BackgroundCheckPolicy.pdf).



Board licensees and registrants are, of course, still obligated to report information concerning criminal charges or dispositions each year as part of the license and registration renewal process.

### Rulemaking Activity

The Board conducted several rulemakings during FY 2015-16. Information about all in-progress Board of Pharmacy rulemaking proceedings is found at <http://www.ncbop.org/rulemakings.htm>.

### Clinical Pharmacist Practitioner Rules

The Medical Board and Board of Pharmacy collaborated on a series of changes to the rule governing clinical pharmacist practitioners (CPPs) (21 NCAC 46.3101). The chief aims of the amendments were: (1) transfer primary administrative responsibility for CPP application, renewal, and monitoring to the Board of Pharmacy; (2) bring supervising physician consulting and oversight responsibilities in line with those for nurse practitioners and physician assistants; and (3) allow CPPs to designate “primary” and “back-up” supervising physicians, something that is particularly helpful for CPPs who service patients in a group practice.

These changes were well-received by the CPP community. Medical and Pharmacy Board staff worked closely and cooperatively to transition records and databases. The Board of Pharmacy’s CPP Advisory Committee has, as a result of these amendments, undertaken an effort to simplify and clarify the CPP application and application process. This effort will be completed in 2017 and should substantially streamline the application and application review process.

Board of Pharmacy members and staff appreciate the terrific assistance and guidance from their Medical Board colleagues throughout this process.

### Remote Medical Order Entry Services

After a petition for rulemaking and a period of notice and comment, Board Rule 21 NCAC 46.1417, which governs remote medication order entry services for health-care-facility pharmacies, was amended effective December 1, 2015. Health-care-facility pharmacies are now permitted to contract for supplemental remote medication order processing during periods when pharmacists are present in those pharmacies if done pursuant to the applicable law and rules. Before this amendment, the use of remote medication order entry services was permitted only if a health care facility pharmacy was closed.

### Other Notable Board Activities in FY 2015-16

Board Reaches Agreement With the North Carolina Physicians Health Program to Serve as an Evaluation and Monitoring Program for Pharmacists and Pharmacy Personnel With Substance Abuse Issues

The Board entered into an agreement with the North Carolina Physicians Health Program (NCPHP) to serve as an evaluation and monitoring program for pharmacists and pharmacy personnel with substance abuse issues. NCPHP is well positioned to serve as a resource for professionals and to facilitate early intervention before impairment or other professional consequences occur.

Pharmacists and pharmacy personnel who were participating in recovery programs with the North Carolina Pharmacist Recovery Network (NCPRN) transitioned to NCPHP in early 2016.

With this transition, the Board ended its long-time association with NCPRN, and did so with extreme gratitude for NCPRN's tremendous work for its clients, the profession of pharmacy, and the public health and safety. The transition to NCPHP ensures that these same services – and more – will continue to be available for pharmacists and pharmacy personnel in North Carolina.

Board and UNC Eshelman School of Pharmacy Partner to Provide Pharmacists a No-Cost CE Course on Use of the North Carolina CSRS

The Board and the University of North Carolina (UNC) Eshelman School of Pharmacy partnered to build a continuing education (CE) program for pharmacists on the North Carolina Controlled Substance Reporting System (CSRS).

The online CE module educates pharmacists on the process for activating CSRS access, the menu system for acquiring data in the CSRS, and, perhaps most importantly, provides a series of interactive case scenarios designed to guide pharmacists in the appropriate use of CSRS data in various practice settings.

This program, which is available at no cost to pharmacists, is accessible at [https://learn.pharmacy.unc.edu/csrs/#/csrs\\_home](https://learn.pharmacy.unc.edu/csrs/#/csrs_home).

This CE program is one part of the Board's efforts to encourage pharmacists' use of the CSRS as an important tool to aid the exercise of professional judgment when dispensing controlled substances. The Board's statement on CSRS use may be found at <http://www.ncbop.org/PDF/NCBOPStatementConcerningCSRSUseOct2014.pdf>.

Board Works With the North Carolina Harm Reduction Coalition to Produce Guidance for Pharmacists on Naloxone Dispensing by Standing Order and on Nonprescription Sale of Syringes

North Carolina law permits the dispensing of naloxone pursuant to standing orders (including a statewide standing order discussed further below).

The Board worked with the North Carolina Harm Reduction Coalition (NCHRC) to put together a frequently asked question (FAQ) document that walks pharmacists through the “Good Samaritan” law’s provisions on naloxone dispensing, the use of standing orders, where pharmacists can obtain standing orders, and other highly useful information. Board staff encourages pharmacists to review the NCHRC document, which may be found at <http://www.ncbop.org/faqs/FAQNaloxoneGoodSamaritanNCHRC.pdf>.

Pharmacists often contact Board staff to inquire about the permissibility of nonprescription syringe sales. North Carolina law permits nonprescription syringe sales. Pharmacists, though, often have additional questions about the policy and public health implications of nonprescription syringe sales. To help address these questions, the Board worked with NCHRC to assemble an FAQ document that pharmacists are likely to find helpful and reassuring. NCHRC also offers pharmacists free on-site training on blood borne pathogens and nonprescription sale of syringes.

The document is found at <http://www.ncbop.org/faqs/FAQsNonPrescriptionSyringeSalesNC.pdf>.

#### Statewide Standing Order for Naloxone in Effect

In late June, the North Carolina General Assembly passed and Governor McCrory signed into law a bill allowing the state health director, Dr. Randall Williams, to issue a statewide standing order for naloxone dispensing – a standing order that any pharmacy in North Carolina may use.

This standing order will allow any licensed North Carolina pharmacist who chooses to participate to dispense naloxone to patients who are at risk of an opioid overdose or to their friends or family members or to people in a position to help them.

Board of Pharmacy staff and members worked with staff from the North Carolina Department of Health and Human Services (DHHS) to facilitate the rapid implementation of the statute, including assistance with the language of the standing order, education material, and other information about appropriate dispensing and administration of naloxone. These resources are available at [www.naloxonesaves.org](http://www.naloxonesaves.org).

Hundreds of North Carolina pharmacies have opted in to the statewide standing order.

\* \* \*

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board. The statistics reported below further demonstrate the Board’s active licensing, permitting, registration, and disciplinary docket.

North Carolina Board of Pharmacy  
Census of Licenses, Permits, and Registrations  
As of September 30, 2016

These statistics, and statistics for previous years, may also be found here:  
<http://www.ncbop.org/about/statistics.htm>

**PHARMACISTS**

Total number of active pharmacists licensed .....	16,068
Total number of active pharmacists residing in North Carolina .....	11,943
Inactive pharmacists residing in North Carolina.....	2,634
Total number of active pharmacists residing outside of North Carolina .....	4,125
Total number deceased in FY 2015 .....	3

**Breakdown of Employment Settings In-State**

Retail Pharmacy – Chain .....	3,936
Retail Pharmacy – Independent .....	1,712
Hospital Pharmacies .....	3,040
Nursing Homes .....	109
Government, Health Departments and Teaching .....	158
Pharmaceutical Manufacturing and Wholesale Sales .....	79
Other .....	1,738
Sales and Research.....	69
Unknown Position.....	753

**Age and Gender of Active Pharmacists in North Carolina**

Under 30 years of age .....	1,517
30 – 39 years of age .....	3,205
40 – 49 years of age .....	2,995
50 – 59 years of age .....	2,116
60 – 65 years of age .....	1,118
Over 65 years of age .....	991
In-state Pharmacists – Female .....	7,127
In-state Pharmacists – Male .....	4,816

**PHARMACIES**

Total in-state Pharmacy permits on roster .....	2,816
Retail Pharmacy – Chain .....	1,306
Retail Pharmacy – Independent .....	716
Hospital Pharmacies .....	189
Nursing Homes .....	27
Health Departments .....	85
Free Clinics .....	41
IV Infusion .....	41
Automated Dispensing Systems .....	126
Others .....	285
Total out-of-state Pharmacy permits on roster.....	701

**DEVICE AND MEDICAL EQUIPMENT**

Total DME permits on roster .....	841
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**DISPENSING PHYSICIANS**

Total Physicians registered .....	859
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**PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS**

Total PA’s and NP’s registered to dispense.....	274
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**PHARMACY TECHNICIANS**

Total Pharmacy Technicians registered .....	18,701
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(1) *The Address of the Board, and the Names of Its Members and Officers*

Board offices are located at 6015 Farrington Road, Suite 201, Chapel Hill, NC 27517.

The Board members and officers are noted on the cover page of this report.

(2) *The Number of Persons Who Applied to the Board for Examination*

677 persons applied to the Board for licensure by examination in FY2015-16.

(3) *The Number of Persons Who Were Refused Examination*

One (1) candidate was refused on the basis that the candidate did not possess the qualifications necessary to sit for examination.

(4) The Number of Persons Who Took the Examination

643 candidates sat for examination in FY2015-16. Six (6) candidates withdrew from examination. No candidate failed to appear for examination. As noted above, one (1) candidate was refused examination.

(5) The Number of Persons to Whom Initial Licenses Were Issued

The Board issued 586 licenses by examination in FY2015-16.

(6) The Number of Persons Who Failed One or More Licensure Examinations

121 candidates failed one or more of the licensure examinations in FY2015-16.

(7) The Number of Persons Who Applied for License by Reciprocity or Comity

407 persons applied for licensure by reciprocity in FY2015-16.

(8) The Number of Persons Who Were Granted Licenses by Reciprocity or Comity

328 persons were granted licensure by reciprocity in FY2015-16.

(9) The Number of Complaints Involving Licensed and Unlicensed Activities, The Number of Disciplinary Actions Taken Against Licensees and Nonlicensees (Including Injunctive Relief), The Number of Licenses Suspended or Revoked

Total number of complaints received involving licensee and unlicensed activities	308
Total number of inspections conducted	820
Total number of “no action” decisions after investigation ( <i>i.e.</i> , investigation did not find any violation of law)	20
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	51
Total number of injunctions obtained to halt unlicensed practice	20
Total number of warning letters issued post pre-hearing conference or by administrative disposition	105
Total number of cases resulting in consent orders	23
Total number of cases resulting in full board hearings	13
Pharmacist license applications denied	3
Pharmacist licenses revoked	0
Pharmacist licenses suspended	10



Pharmacist licenses surrendered	10
Pharmacy technician registration applications denied	17
Pharmacy technician registrations revoked	0
Pharmacy technician licenses suspended	3
Pharmacy technicians surrendered	23
Pharmacy permit applications denied	21
Pharmacy permits revoked	0
Pharmacy permits suspended	1
Pharmacy permits surrendered	1
DME permit applications denied	0
DME permits revoked	0
DME permits suspended	1
DME permits surrendered	1

(10) *The Number of Licenses Terminated For Any Reason Other than Failure to Pay the Required Renewal Fee*

Beyond the number of licenses suspended or revoked for disciplinary reasons (see number 9 above), 46 licenses, permits, or registrations were terminated for reasons other than failure to pay the required renewal fee.

(11) *The Substance of Any Anticipated Request by the Occupational Licensing Board to the General Assembly to Amend Statutes Related to the Occupational Licensing Board*

The Board of Pharmacy may have a limited request to the General Assembly to amend the Pharmacy Practice Act in FY2016. As part of its review of operations (discussed above), the Board is considering means by which it could improve its licensee background-check efforts and do so in a way that leverages technology to reduce administrative burdens to would-be licensees and Board staff. Doing so may require a minor modification to the Pharmacy Practice Act.

Legislation to accomplish this change was introduced during the 2016 short session and voted out of the House unanimously. It did not, however, make it through the Senate prior to adjournment. The Board hopes to have this legislation introduced again during the 2017 long session.

(12) *The Substance of Any Anticipated Change in Rules Adopted by the Occupational Licensing Board or the Substance of Any Anticipated Adoption of New Rules By the Occupational Licensing Board*

- The Board intends to undertake rulemaking in FY 2016-17 to amend 21 NCAC 46.2201, which governs the acquisition of continuing education for license renewal. The proposed amendments will be designed to facilitate easier continuing education recordkeeping requirements for pharmacists, as well as to allow for more efficient reporting of continuing education hours to the Board and more efficient and accurate review and audit of those records by the Board.
- The Board intends to undertake rulemaking in FY 2016-17 to create a new rule, 21 NCAC 46.1615, that would require all licensees, permittees, and registrants to obtain an e-Profile number and report it to the Board. Such numbers, available without cost through the National Association of Boards of Pharmacy (“NABP”), enable quick, efficient access by Board staff to disciplinary, inspection, and other records cataloged by NABP. These resources are particularly useful (and necessary) to the Board’s regulation of out-of-state entities.
- The Board may undertake rulemaking in FY 2016-17 to clarify the maximum number of attempts a candidate for licensure may take the qualifying licensure examinations.

Interested parties may obtain complete information about any in-progress Board of Pharmacy rulemaking here: <http://www.ncbop.org/rulemakings.htm>



NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014



*Certified Public Accountants and Advisors Since 1947*  
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**NORTH CAROLINA BOARD OF PHARMACY**

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# NORTH CAROLINA BOARD OF PHARMACY

## Management's Discussion and Analysis

Fiscal Year Ended September 30, 2015

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### Introduction

The following discussion and analysis provides an overview of the financial position and activities of the North Carolina Board of Pharmacy (the "Board"), for the fiscal year ended September 30, 2015. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

### Using the Financial Statements

The Board's financial report includes three financial statements: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. These financial statements are prepared in accordance with the principles of the Governmental Accounting Standards Board ("GASB").

The Statements of Net Position include all Board current and noncurrent assets and liabilities. Current assets are those that are expected to be converted to cash within one year, and current liabilities are expected to be settled within one year.

The Statements of Revenues, Expenses and Changes in Net Position present the revenues collected and earned and expenses paid and incurred during the fiscal year.

The Statements of Cash Flows report cash from operating, investing activities, and capital financing, and is presented using the direct method.

### Statements of Net Assets

The Statements of Net Position present a fiscal snapshot of the Board's financial position as of September 30, 2015 and 2014. The statements provide information on current and noncurrent assets and liabilities. The data provides information on assets available to continue operations; amounts due to vendors and lending institutions; and the net position available for expenditure by the Board.

The following table summarizes the Board's assets, liabilities and net position at September 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current assets	\$ 5,707,463	\$ 3,948,298	\$ 4,504,803
Non-current assets	1,788,012	2,679,081	1,387,200
Net capital assets	<u>1,513,425</u>	<u>1,494,642</u>	<u>1,523,750</u>
Total assets	<u>9,008,900</u>	<u>8,122,021</u>	<u>7,415,753</u>
Liabilities and net position:			
Current liabilities	9,215	-	14,668
Non-current liabilities	<u>152,318</u>	<u>144,533</u>	<u>134,192</u>
Total liabilities	<u>161,533</u>	<u>144,533</u>	<u>148,860</u>
Net position:			
Invested in capital assets - net of related depreciation	1,513,425	1,494,642	1,523,749
Unrestricted	<u>7,333,942</u>	<u>6,482,846</u>	<u>5,743,144</u>
Total net position	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

## NORTH CAROLINA BOARD OF PHARMACY

### Management's Discussion and Analysis

Fiscal Year Ended September 30, 2015

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#### Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position represent the Board's results of operations. The following presents condensed financial information for Board operations for the fiscal years ended September 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 4,238,829	\$ 3,923,591	\$ 3,718,647
Operating expenses	<u>3,381,149</u>	<u>3,217,682</u>	<u>2,790,297</u>
Operating income	857,680	705,909	928,350
Non-operating revenues (expenses)	<u>12,199</u>	<u>4,686</u>	<u>25,540</u>
Changes in net position	869,879	710,595	953,890
Net position - beginning of year	<u>7,977,488</u>	<u>7,266,893</u>	<u>6,313,003</u>
Net position - end of year	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

Operating revenue consists primarily of pharmacists and pharmacy renewals for the years ended September 30, 2015 and 2014. The increase in operating revenue was caused mostly by Walgreens restructuring one of its parent organizations during the year that required new permitting registration. This resulted in 280 new permits being issued during the year ended September 30, 2015. Operating expenses are related to the operation of the Board, including personnel costs, investigative costs, professional fees, supplies, utilities, and depreciation. Operating expenses increased this year due to the Board adding three new investigator/inspector positions. The Board recorded depreciation expense of \$91,766 and \$91,175, for the years ended September 30, 2015 and 2014 respectively. Non-operating revenue (expense) consists primarily of investment income and interest expense.

#### Events Affecting Future Operations

In February 2015, through a Letter of Agreement with National Association of Boards of Pharmacy, the Board requested an independent review of the Board's operations and systems. The primary objective of the review was to consider ways that the Board might operate more efficiently and effectively without compromising its core programs and services, and without reducing customer service.

The review indicated the Board was a well-run board of pharmacy. The Board handles its workload in all of its programs and services in a reasonable time frame with effective outcomes. A number of recommendations or suggestions for improvement were made, primarily to assist the Board staff in reducing workload by leveraging technology where feasible. A number of these suggestions have already been implemented, and further improvement of IT infrastructure to improve efficiency and customer service is underway.

#### Contacting the Board's Management

This financial report is designed to provide our state, pharmacists, and creditors with a general overview of the Board's finances and demonstrate accountability of all funds received. Additional financial information may be obtained by contacting the Board at 919-246-1050.

## **Independent Auditor's Report**

To the Board of Directors  
North Carolina Board of Pharmacy  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina Board of Pharmacy (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

### ***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 basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Pharmacy as of September 30, 2015 and 2014, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Pharmacy and do not purport to and do not present fairly the financial position of the State of North Carolina as of September 30, 2015, nor the changes in its financial position and its cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 2, 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 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
January 7, 2016

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Net Position**  
**September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 2,050,540	\$ 1,191,433
Investments, current portion	3,532,972	2,608,706
Accrued interest	5,648	5,857
Accounts receivable	291	158
Prepaid expenses	118,012	142,144
Total current assets	<u>5,707,463</u>	<u>3,948,298</u>
Non-current assets:		
Investments, less current portion	1,606,763	2,522,270
Note receivable - officer life insurance	181,249	156,811
Total non-current assets	<u>1,788,012</u>	<u>2,679,081</u>
Capital assets, net of depreciation	<u>1,513,425</u>	<u>1,494,642</u>
Total assets	<u>9,008,900</u>	<u>8,122,021</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	9,215	-
Total current liabilities	<u>9,215</u>	<u>-</u>
Noncurrent liabilities:		
Accrued vacation	152,318	144,533
Total noncurrent liabilities	<u>152,318</u>	<u>144,533</u>
Total liabilities	<u>161,533</u>	<u>144,533</u>
<b>NET POSITION:</b>		
Net investment in capital assets, net of related depreciation	1,513,425	1,494,642
Unrestricted	7,333,942	6,482,846
Total net position	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Pharmacist renewals	\$ 1,959,930	\$ 1,899,990
Pharmacist reciprocity	234,000	168,600
Pharmacist exam fees	65,100	65,400
Pharmacist/manager changes	28,735	23,975
Pharmacist reinstatements	18,630	21,060
Pharmacy renewals	643,400	612,800
Pharmacy permits	372,000	263,000
Pharmacy reinstatements	5,600	3,600
Technician renewals	411,840	389,460
Technician registrations	112,500	119,400
Technician reinstatements	36,360	36,660
Device and DME permits and renewals	240,600	222,300
Dispensing physician renewals and permits	66,075	63,750
Dispensing PA/NP renewals and permits	22,275	21,000
Pharmacy/pharmacists, lists and labels	16,609	11,026
Law books	10	20
Miscellaneous	5,165	1,550
Total operating revenues	<u>4,238,829</u>	<u>3,923,591</u>
Operating expenses:		
Salaries	1,660,480	1,582,092
Payroll taxes	119,150	113,667
Retirement contributions	90,923	94,304
Employee benefits	218,674	218,081
Unemployment claims	5,830	5,705
Educational expense	1,812	2,250
Board meeting and election expenses	18,107	16,391
Meetings per diem	10,075	8,900
Professional meetings	11,034	8,956
Inspection expense	104,961	102,831
Building dues and maintenance	23,750	27,340
Office utilities	9,856	9,341
Janitorial service	13,948	12,000
Telephone	21,911	19,747
Auto expense	37,388	40,814
Supplies	25,259	27,500
Books, dues, and subscriptions	9,504	10,436
Postage	10,907	5,079
Printing	5,002	4,650



**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Revenues, Expenses and Changes in Net Position (Continued)**  
**Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating expenses (Continued):		
Equipment lease	\$ 10,433	\$ 13,479
Maintenance	19,354	23,473
Special meetings and projects	63,349	11,151
Insurance	8,393	7,739
Executive director's expense	7,928	9,893
Office staff travel	16,040	7,945
Miscellaneous	1,837	1,235
Consulting fees	162,150	152,479
Bank service charges	121,207	111,377
Depreciation	91,766	91,175
Legal fees	258,012	278,752
Pharmacist Recovery Network	209,500	189,000
Audit fee	10,200	9,900
Temporary office help	2,409	-
Total operating expenses	<u>3,381,149</u>	<u>3,217,682</u>
Operating income	<u>857,680</u>	<u>705,909</u>
Non-operating revenue (expense):		
Net investment income	13,703	19,157
Unrealized and realized loss on investments	(3,890)	(14,546)
Gain on sale of fixed assets	2,386	75
Total non-operating revenue (expense)	<u>12,199</u>	<u>4,686</u>
Change in net position	869,879	710,595
Net position - beginning	<u>7,977,488</u>	<u>7,266,893</u>
Net position - ending	<u>\$ 8,847,367</u>	<u>\$ 7,977,488</u>

**NORTH CAROLINA BOARD OF PHARMACY**

**Statements of Cash Flows**

**Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from fees	\$ 4,233,521	\$ 3,922,179
Other cash received	5,175	1,570
Cash payments to employees for service	(1,652,695)	(1,571,751)
Cash payments to suppliers for goods and services	(1,318,395)	(1,232,987)
Cash payments for other operating expenses	(279,547)	(250,304)
Net cash provided by operating activities	<u>988,059</u>	<u>868,707</u>
Cash flows from investing activities:		
Acquisition of capital assets	(111,648)	(62,067)
Proceeds from sale of capital assets	2,386	-
Purchase of investments	(1,221,778)	(2,244,455)
Proceeds from sales of investments	1,208,053	1,076,000
Issuance of note receivable	(24,438)	(24,438)
Net investment income	37,671	46,936
Realized and unrealized losses on investments	(19,198)	(20,112)
Net cash used in investing activities	<u>(128,952)</u>	<u>(1,228,136)</u>
Net increase (decrease) in cash	859,107	(359,429)
Cash - beginning of year	<u>1,191,433</u>	<u>1,550,862</u>
Cash - end of year	<u>\$ 2,050,540</u>	<u>\$ 1,191,433</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 857,680	\$ 705,909
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	91,766	91,175
Gain on sale of capital assets	(2,386)	-
Changes in assets and liabilities:		
Accounts receivable	(133)	158
Prepaid expenses	24,132	67,138
Accounts payable and accrued liabilities	9,215	14,668
Accrued vacation	7,785	(10,341)
Total adjustments	<u>130,379</u>	<u>162,798</u>
Net cash provided by operating activities	<u>\$ 988,059</u>	<u>\$ 868,707</u>

# **NORTH CAROLINA BOARD OF PHARMACY**

## **Notes to Financial Statements**

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### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Description of Organization**

The North Carolina Board of Pharmacy (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes (NCGS). The Board is composed of six members who are appointed by the Governor, five after their election by North Carolina pharmacists, and one directly as the Board's public member. The Board is established to maintain minimum standards for the practice of pharmacy within the State of North Carolina. The Board's operations are funded primarily through license renewal and permit registration fees. The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

#### **Basis of Presentation**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

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**

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 Accounting**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. The Board classifies its revenue and expenses as operating and non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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 renewal fees and permits. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing types of activities and are classified as non-operating in the financial statements.

#### **Cash and Cash Equivalents**

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of reporting the statements of cash flows, the Board considers all highly liquid investments purchased with a maturity of three months or less as cash equivalents.

# NORTH CAROLINA BOARD OF PHARMACY

## Notes to Financial Statements

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### NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Investments**

The Board reports investments at fair value as required by GASB Statement No. 31. Fair value is based on readily available published values. Money market funds invested through brokerage accounts are considered investments. Board investment policies are in line with the State Treasurer under N.C.G.S. §147-69.1 regarding investment options.

#### **Capital Assets**

Capital assets are recorded at cost. Property and equipment are capitalized if their life is expected to be greater than one year and their cost is \$2,000 or greater. Depreciation is computed over estimated useful asset lives ranging from three to thirty-nine years using the straight-line method.

#### **Vacation and Sick Leave**

Board employees may accumulate up to 320 hours of earned vacation which is fully vested when earned. On December 31, accrued vacation in excess of the limit is transferred and added to sick leave balances.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Unused sick leave is not paid upon termination of employment; therefore, no accrual for sick leave has been made.

#### **Net Position**

*Net Investment in Capital Assets* - Investment in capital assets, net of related debt represents the Board's total investment in 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.

*Unrestricted* - Unrestricted net position are not subject to externally imposed stipulations pertaining to their use. Unrestricted net position is used for the general operations of the Board and may be used at the discretion of the governing board to meet current expenses for any purpose. The Board has reserved \$200,000 of the unrestricted net position to cover potential litigation costs, \$180,000 to cover database upgrade costs, \$1,000,000 to cover IT infrastructure and \$1,075,000 to cover the insurance deductible.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

**NORTH CAROLINA BOARD OF PHARMACY**

**Notes to Financial Statements**

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NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at September 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Traded certificates of deposit	\$4,626,820	\$4,137,265
Money market funds	512,915	993,711
	<u>\$5,139,735</u>	<u>\$5,130,976</u>

Investment income totaled \$38,518 and \$37,113, for the years ending September 30, 2015 and 2014 respectively. Related investment fees totaled \$24,815 and \$17,956, for the years ending September 30, 2015 and 2014, respectively.

*Interest rate risk:* Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. The Board minimizes this risk by investing only in certificates of deposit.

The anticipated maturities of the Board's fixed income investments as of September 30, 2015 were as follows:

0 - 2 years	\$3,916,052
3 + years	710,768
	<u>\$4,626,820</u>

The weighted average maturities of the certificates of deposit are 1.13 years at September 30, 2015.

*Credit Risk:* Credit risk is the risk that an issuer other counterparty to an investment will not fulfill its obligations. At September 30, 2015, the Board's money market funds and the traded certificates of deposit were unrated.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At September 30, 2015, the Board had cash deposits that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,426,198. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. Also, at September 30, 2015, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$4,139,735. The Board had multiple traded certificates of deposit investments held in a brokerage account as well as a trust account that were fully insured under FDIC at September 30, 2015.

NOTE 3 - OFFICER LIFE INSURANCE

The Board owns a life insurance policy jointly with the Executive Director. The amounts recorded as note receivable - officer life insurance, represents the Board's equity in the policy, which totaled \$181,249 and \$156,811, at September 30, 2015 and 2014, respectively.

**NORTH CAROLINA BOARD OF PHARMACY**  
**Notes to Financial Statements**

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NOTE 4 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	2015	2014
Beginning accrued vacation	\$ 144,533	\$ 134,192
Vacation earned	121,845	103,067
Vacation used	(114,060)	(92,726)
Ending accrued vacation	<u>\$ 152,318</u>	<u>\$ 144,533</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended September 30, 2015, was as follows:

	Cost 9/30/2014	Additions	Disposals	Cost 9/30/2015
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	14,075	-	44,217
Furniture and fixtures	241,562	3,763	-	245,325
Equipment	385,501	38,692	(71,607)	352,586
Vehicles	179,420	55,118	(15,565)	218,973
Total at historical cost	<u>2,737,184</u>	<u>111,648</u>	<u>(87,172)</u>	<u>2,761,660</u>
Less accumulated depreciation for:				
Building	\$ 548,208	\$ 48,820	\$ -	\$ 597,028
Building improvements	6,525	1,925	-	8,450
Furniture and fixtures	226,961	4,924	-	231,885
Equipment	325,300	24,092	(70,508)	278,884
Vehicles	135,548	12,005	(15,565)	131,988
Total accumulated depreciation	<u>1,242,542</u>	<u>91,766</u>	<u>(86,073)</u>	<u>1,248,235</u>
Total capital assets, net	<u>\$1,494,642</u>	<u>\$ 19,882</u>	<u>\$ (1,099)</u>	<u>\$1,513,425</u>

Capital asset activity for the Board for the year ended September 30, 2014, was as follows:

	Cost 9/30/2013	Additions	Disposals	Cost 9/30/2014
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	-	-	30,142
Furniture and fixtures	241,562	-	-	241,562
Equipment	360,180	25,321	-	385,501
Vehicles	142,674	36,746	-	179,420
Total at historical cost	<u>2,675,117</u>	<u>62,067</u>	<u>-</u>	<u>2,737,184</u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Notes to Financial Statements**

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NOTE 5 - CAPITAL ASSETS (Continued)

	Cost 9/30/2013	Additions	Disposals	Cost 9/30/2014
Less accumulated depreciation for:				
Building	\$ 499,388	\$ 48,820	\$ -	\$ 548,208
Building improvements	5,207	1,318	-	6,525
Furniture and fixtures	220,410	6,551	-	226,961
Equipment	300,926	24,374	-	325,300
Vehicles	125,436	10,112	-	135,548
Total accumulated depreciation	<u>1,151,367</u>	<u>91,175</u>	<u>-</u>	<u>1,242,542</u>
Total capital assets, net	<u>\$1,523,750</u>	<u>\$ (29,108)</u>	<u>\$ -</u>	<u>\$1,494,642</u>

NOTE 6 - OPERATING LEASES

The Board leases a copying machine under an agreement that calls for lease payments of \$3,348 per year ending in September 2018.

Future annual lease payment requirements are as follows:

<u>Years Ending September 30:</u>	
2016	\$ 3,348
2017	3,348
2018	3,348
	<u>\$ 10,044</u>

The Board also leases other equipment on an as needed basis. Total equipment lease expense for the years ended September 30, 2015 and 2014, was \$10,433 and \$13,479, respectively.

NOTE 7 - RETIREMENT PLANS

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a 401(k) defined contribution plan. The Plan has been established to provide retirement benefits for employees of State boards or agencies who have not elected by resolution to cause their employees to be eligible to become members of the Teachers' and State Employees' Retirement System and for employees hired after July 1, 1983, by an electing board or agency. The Plan is administered by an administrative committee comprised of the Executive Directors of the participating boards and agencies, with authority to amend the Plan.

Participating employees must contribute at least six percent of their gross compensation and the Board matches those contributions 100%. The employees' contributions are immediately 100% vested, and employees vest in the Board's matching contributions 20% per Plan year until they are fully vested. For vesting purposes, an employee must complete 1,000 hours of service each Plan year.

## NORTH CAROLINA BOARD OF PHARMACY

### Notes to Financial Statements

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#### NOTE 7 - RETIREMENT PLANS (Continued)

Each participant's account is credited with their individual contributions, the Board's matching contributions, and Plan earnings and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings and account balances, as defined. Each participant is entitled to the benefit which can be provided from the participant's account.

Participants may retire with fully vested benefits at age 65, or at age 55 after completing five years of service. Upon termination of service, participants receive the vested value of their account in a lump-sum distribution.

Contributions to the Plan for the years ended September 30, 2015 and 2014, totaled \$227,935 and \$235,162, which consisted of \$90,923 and \$94,304 from the Board and \$137,012 and \$140,858 from employees, respectively.

During the year ended September 30, 2015, the Board used \$8,237 of retirement forfeiture balance to offset retirement matching contributions.

#### 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. The Board protects itself from exposures to loss through the purchase of commercial liability insurance. Tort claims against Board members are self-insured under the authority of the State Tort Claims Act. In addition, the State provides an additional coverage to the Board under the State's public officers' and employees' liability insurance contract.

#### NOTE 9 - COMMITMENTS

On September 1, 2013, the Board entered into a three-year agreement with MiraComp Technologies, Inc., whereby MiraComp agrees to re-design the current North Carolina Board Of Pharmacy web-based licensing information and online renewal system software. The Board has agreed to pay quarterly installments of \$30,000 commencing September 1, 2013 and ending March 1, 2016, for these services.

#### NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through January 7, 2016, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$10,500.