

ONE HUNDRED THIRTY-THIRD

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

2014



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

October 1, 2013 – September 30, 2014

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

R. Joseph McLaughlin, Jr., New Bern, President..... Term expires April 30, 2016
Ellis Lazelle Marks, Rockingham, Vice President..... Term expires April 30, 2015
J. Parker Chesson, Jr., Durham Term expires April 30, 2015
Gene Winston Minton, Littleton..... Term expires April 30, 2015
Carol Yates Day, Carrboro..... Term expires April 30, 2017
William A. Mixon, Hickory..... Term expires April 30, 2017

Executive Director

Jack W. Campbell IV, Chapel Hill

General Counsel

Clinton R. Pinyan, Greensboro

Investigators/Inspectors

Joshua Kohler, Director, Raleigh
Krystal Brashears, Assistant Director, Clayton
Catherine Collier, Fayetteville
Olivia Cuthrell, Washington
Maria Fabiano, Wilmington
Holly Price Hunt, Lincolnton
Lisa Mendez, Raleigh
Jason Smith, Monroe
Melinda Smith, Washington
Loretta Wiesner, Asheville
J. Ken Wilkins, Walnut Cove

Chapel Hill, North Carolina
October 29, 2014

To His Excellency
Governor Pat McCrory
Raleigh, North Carolina

Dear Governor McCrory:

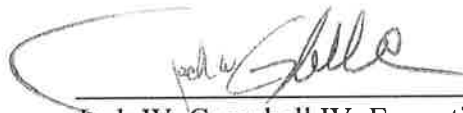
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Thirty-Third Annual Report of the North Carolina Board of Pharmacy.

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 FY2013-14 financial statement contemporaneously with this report. The Board's annual financial audit is scheduled for November 3-7, 2014. Board staff anticipates receipt of its financial audit report in December 2014. Board staff anticipates that, consistent with prior years, the Board members will review and approve the audit report at its regularly scheduled business meeting in January 2015.

Per August 27, 2014 instructions from the Office of State Budget and Management ("OSBM"), Board staff has informed OSBM of its year end date and will submit the audited financial report no later than four months after year end.

Please note that the audited FY2012-13 financial report was previously submitted in January 2014 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 2013-14. The below information, and much more, may be found on the Board's website, 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>.

Board Personnel

Members

In Spring 2014, the Board of Pharmacy conducted elections for the Northeastern and Central District seats, presently held by Gene Minton and Lazelle Marks, respectively.

Gene Minton of Littleton, NC was elected to a second five-year term on the Board from the Northeastern District. Stan Haywood of Asheboro, NC was elected to a five-year term from the Central District. Messrs Minton and Haywood will begin their terms (or, in Mr. Minton's case, continue his term) on May 1, 2015, once commissioned by the Governor pursuant to N.C.G.S. § 90-85.6.

The Board expresses its heartfelt appreciation to the other candidates for Board membership. From the Northeastern District: David Catalano, Tom D'Andrea, Christopher Peoples, and Brooke Rawls. From the Central District: Brent Clevenger, Kevin Isaacs, Max Gardner Reece, Scott Romesburg, and Marianne White.

In Spring 2015, the Board will hold elections for the Southeastern District seat, presently held by Board President Joey McLaughlin. Nominations for that position will be open through March 15, 2015. In early 2015, Board staff will hold a candidate interest forum in the southeastern part of the state to answer questions and discuss what it means to serve on the Board.

All Board members completed their N.C.G.S. § 93B-5(g) required biennial refresher training during FY 2013-14.

Staff

As part of an overall program of changes and improvements to the investigations and inspections department, the Board added two full-time field investigator/inspector positions. These additions allowed Board staff to divide the State into nine investigation/inspection districts, each overseen by one full-time investigator/inspector. More compact investigation/inspection districts have improved staff's ability to balance investigations (which, by statute, are required to be the Board's top priority) with increased inspection requirements.

In January 2014, Karen Matthew, who served as the Board's Director of Investigations and Inspections for eight years, retired. Joshua Kohler, with sixteen years of service to the Board and previously the Associate Director of Investigations and Inspections, was promoted to the Director position. Krystal Brashears, an eight-year veteran inspector, was promoted to Associate Director.

Loretta Wiesner and Holly Price Hunt, both highly experienced Board investigator/inspectors, have taken on field training duties and continue to be responsible for all inspections and investigations in two of the nine investigation/inspection districts. Jason Smith, also a highly experienced Board investigator/inspector, has been promoted to senior investigator/inspector. New field investigators/inspectors include: Catherine "Liz" Collier, Fayetteville; Olivia Cuthrell, Washington; Maria Fabiano, Wilmington; Lisa Mendez, Raleigh; and Melinda Smith, Washington.

Ellen Vick of Durham joined the Board in January 2014 as Associate Executive Director. Ellen is a graduate of the UNC Eshelman School of Pharmacy and holds a law degree from the University of Georgia School of Law. Ellen brings substantial pharmacy, clinical practice, and legal experience to the position. She has been instrumental in streamlining and improving the investigation case management process. She also brings her clinical practice experience to bear in reviewing and guiding investigation strategy and execution. In September 2014, Ellen was selected as one of fifty-five civic and community leaders from across the state to form the 2014-15 class for Leadership North Carolina. The state's premiere leadership engagement program, Leadership North Carolina comprises key personnel from the government, business, nonprofit, and education sectors. Selected participants study five key areas: economic development, education, environment, government, and health and human services. Their goal is to use the knowledge gained to better their own organizations, their local communities, and North Carolina as a whole.

In May 2014, Executive Director Jay Campbell was elected to serve a three-year term on the National Association of Boards of Pharmacy Executive Committee. An active member of NABP, Jay has served on many of the Association's task forces and committees, including the Task Force on Prescription Drug Diversion from Common Carriers and the Task Force to Review and Recommend Revisions to the Controlled Substances Act, for which he served as chairperson.

Legislative and Rulemaking Activity

Information about all in-progress Board of Pharmacy rulemaking proceedings is found at <http://www.ncbop.org/rulemakings.htm>.

S.L. 2013-246, An Act to Protect the Public's Health by Increasing Access to Immunizations and Vaccines through the Expanded Role of Immunizing Pharmacists. A fuller report on S.L. 2013-246 is contained in the Board's 2013 Annual Report. During FY 2013-14, the Board worked closely with staff and members of the North Carolina Medical Board to complete joint rulemaking that finalized implementation of the statute.

S.L. 2013-23, The “Good Samaritan” Act. S.L. 2013-23 authorized health-care providers to prescribe directly or by standing order an opioid antagonist (naloxone) to persons at risk of experiencing an opiate-related overdose or to a family member, friend, or other person in a position to assist a person at risk of experiencing an opiate-related overdose. Immediately after passage, in December 2013, the Board began working with public health officials at the Department of Health and Human Services and county health departments to ensure that registered nurses at public health departments would be able to dispense naloxone to health department patients at risk of an opiate-related overdose, as well as such patients’ family members, friends, or caregivers. With an aim to increase access to naloxone as rapidly as possible, by January 2014 the Board had exercised its authority under 21 N.C.A.C. 46.2510 to waive enforcement of certain health department registered nurse dispensing restrictions to allow immediate dispensing of naloxone.

Working closely with Scott Proescholdbell, Joy Reed, and Chris Hoke at the NC DHHS Division of Public Health, as well as Colleen Bridger, Matt Kelm, and Stephen Dedrick of the Orange County Health Department, the Board initiated and completed a permanent rulemaking to authorize public health department registered nurse dispensing of naloxone. This effort was widely praised by public health officials as an example of efficient, responsive, and timely agency work.

S.L. 2013-152, An Act to Revise the North Carolina Controlled Substances Reporting Act, As Recommended by the Child Fatality Task Force. S.L. 2013-152 was the latest in a line of recent statutes to alter the North Carolina Controlled Substance Reporting Act. Board staff members, who conduct dozens of continuing education talks and other presentations throughout the state and nationally each year, emphasized S.L. 2013-152’s reporting and recordkeeping changes to pharmacists.

In addition, S.L. 2013-152 authorized NC DHHS’s Drug Control Unit, which administers the reporting system, to provide reports of potentially problematic controlled substance prescribers and dispensers to the agencies responsible for licensing the practitioner with prescriptive or dispensing authority. To receive such reports, a licensing board was required to adopt rules setting forth the criteria by which the Drug Control Unit may issue such reports. The Board of Pharmacy immediately began a rulemaking, which was completed in January 2014. Indeed, the Board of Pharmacy was the first licensing board to fulfill this rulemaking requirement.

Relatedly, the Board continues to educate pharmacists on appropriate access to, and use of, the CSRS. CSRS access use was the focus of an article in the Board’s newsletter in 2013, as well as a formal guidance statement issued in October 2014: <http://www.ncbop.org/PDF/NCBOPStatementConcerningCSRSUseOct2014.pdf>

Section 8.23 of S.L. 2014-100, Requiring All Public and Charter Schools To Obtain Epinephrine Auto-Injectors Section 8.23 of the 2014 budget bill requires all North Carolina public schools and charter schools to have “in a secure but unlocked and

easily accessible location a minimum of two epinephrine auto-injectors.” Each school’s principal “shall designate one or more school personnel, as part of the medical care program under G.S. 115C-373.1, to receive initial training and annual retraining from a school nurse or qualified representative of the health department regarding the storage and emergency use of an epinephrine auto-injector.” The school nurse or other designated school personnel so trained are responsible for obtaining the auto-injectors by non-patient specific prescription for epinephrine auto-injectors from a physician, physician assistant, or nurse practitioner of the local health department serving the area in which the local school administrative unit is located.” This requirement becomes effective on November 1, 2014.

Section 8.23 directed the Board of Pharmacy, in consultation with the State Board of Education, to adopt rules within 60 days of the statute’s November 1 effective date to adopt rules addressing the authorization for school personnel to obtain a prescription for epinephrine auto-injectors.

To ensure that school personnel would be able to obtain epinephrine auto-injectors immediately on the November 1 effective date, the Board of Pharmacy consulted with the State Board of Education to develop a guidance document (found here: <http://www.ncbop.org/faqs/Pharmacist/GuidanceEpinephrineAutoInjectorStatuteSept2014.pdf>) clearly spelling out the available method and means. After analysis, the Board determined that the only rulemaking necessary was to authorize registered nurses at public health departments to dispense epinephrine auto-injectors. The Board initiated that rulemaking on September 3, 2014. A public hearing is scheduled for November 18, 2014. Absent any unexpected delays occasioned by Rules Review Commission review, the Board expects that the rule will be effective January 1, 2015.

S.L. 2014-67, Applicability and Correlation of Military Training and Experience to the Criteria for Licensure as a Pharmacist and Registration as a Pharmacy Technician. S.L. 2014-67 required the Board of Pharmacy to report to the Legislative Research Commission Committee on Civilian Credit for Military Training and State Adjutant General Selection Criteria on the applicability and correlation of military training and experience to the criteria for licensure as a pharmacist and registration as a pharmacy technician in North Carolina. The Board submitted its report on August 27, 2014.

Consolidation and Improvement of Rules Governing Pharmacy Compounding

Last year’s report detailed the Board of Pharmacy’s intensive response to the New England Compounding Center tragedy. The report noted that the Board’s Pharmacy Compounding Working Group was drafting proposed rule amendments aimed at further clarifying compounding pharmacy standards and ensuring conformity with H.R. 3204, the Drug Quality and Safety Act (“DQSA”), a federal statute signed into law in late November 2013.

The DQSA represents a fundamental shift in federal-state regulation of pharmacy compounding. The Board’s Executive Director, Jay Campbell, authored a two-part

article, published by the National Association of Boards of Pharmacy, that has become one of the chief references for regulators and practicing pharmacists. Part I is found here: www.nabp.net/system/rich/rich_files/rich_files/000/000/561/original/august2014nabpnewsletter.pdf. Part II is found here: www.nabp.net/system/rich/rich_files/rich_files/000/000/556/original/september2014nabpnewsletter.pdf

The Board is approaching the final stages of a significant overhaul of its compounding rules designed to improve patient safety and comport with the DQSA. The Board voted to approve the amendments at its October 2014 meeting. Barring unforeseen delays during Rules Review Commission review, the amendments should become effective January 1, 2015.

Simplification and Clarification of Rules Governing Automated Dispensing Devices

As reported last year, in April 2013, the Board published proposed amendments to the rules governing automated dispensing devices. These amendments are designed to simplify, clarify, and consolidate a universal set of standards governing the use of automated prescription drug dispensing devices. That rulemaking was completed in FY 2013-14, and the amendments were effective on December 1, 2013.

The amendments to Board rules governing automated dispensing devices accomplished two primary changes: (1) all automated dispensing devices are now subject to a single, uniform set of standards; separate standards no longer govern “centralized” and “decentralized” automated dispensing devices and (2) the restocking provisions now allow, in certain circumstances, a registered nurse trained and authorized by the pharmacist manager to conduct restocking tasks provided that a quality assurance validated electronic verification process is in place.

Administrative Improvements

Enhanced Electronic Communications

The North Carolina Board of Pharmacy’s long-standing website, www.ncbop.org, is a great resource for practicing pharmacists and the general public. News items and alerts are added regularly. The FAQ sections provide ready responses to many day-to-day issues encountered by pharmacists and by members of the public.

In August 2014, Board staff began sending a monthly electronic mail message to all licensed pharmacists highlighting new content on the Board’s website.

The Board also has opened Twitter accounts. @NCBOPNews publishes new website content as it is added. @NCBOP_Students is, as the handle suggests, targeted toward pharmacy students and provides specific information on the licensure process.

The Board also began live-streaming its monthly meetings via YouTube. Anyone wishing to watch a Board meeting remotely may visit www.ncbop.org/calendar.htm to access a calendar of 2014-2015 Board meeting dates. To watch live, at the start of the meeting visit <https://www.youtube.com>, and in the search box at the top, type in the month, year, and "NC Board of Pharmacy meeting." For example, to view the November 2014 meeting, you would search for "November 2014 NC Board of Pharmacy meeting." Anyone experiencing difficulty finding the meeting broadcast should send an e-mail to cparham@ncbop.org or to tbuedel@ncbop.org.

Board staff remains available by phone and e-mail to answer questions and provide guidance. Indeed pharmacists, pharmacy students, and members of the public continue to report that the North Carolina Board of Pharmacy is among the most accessible and helpful boards in the country.

Inspection Program

As reported last year, the Board of Pharmacy revamped its stand-alone inspection program. During FY 2013-14, Board staff conducted 1,733 stand-alone inspections of pharmacies and device and medical equipment facilities. This number will almost certainly prove anomalously high for a single year period, but it represents a herculean effort by the investigations/inspections staff to ensure that all pharmacy permits in North Carolina have been inspected within the period dictated by the Board's risk-based inspection policy.

Enforcement Focus

Compounding Pharmacy Issues

Last year's report described in detail the renewed focus on compounding pharmacy enforcement priority. All of the activities described in that report continue apace. Moreover, the Board of Pharmacy has been a national leader in establishing cooperative enforcement and monitoring efforts with the federal Food and Drug Administration.

During FY2013-14, Board staff alerted to a new type of compounding pharmacy scheme involving the payment of kickbacks or other "referral fees" to prescribers in exchange for prescribing various compounded topical products. Such kickback schemes flatly violate North Carolina law, which provides: "A health care provider shall not financially compensate in any manner a person, firm, or corporation for recommending or securing the health care provider's employment by a patient, or as a reward for having made a recommendation resulting in the health care provider's employment by a patient. No health care provider who refers a patient of that health care provider to another health care provider shall receive financial or other compensation from the health care provider receiving the referral as a payment solely or primarily for the referral." NCGS Section 90-401 (emphasis added). Variations of the scheme involve trumped up "clinical trials" of topical compounded products.

Board investigative staff continue to work closely with federal officials and pharmacy regulators in other states to expose these schemes – which are not simply financial in nature, but also threaten the public health and safety – and take appropriate action.

“Grey-Market” Wholesaling

Variations of grey-market wholesaling schemes continue to emerge. Board of Pharmacy staff and staff of the Food and Drug Protection Division of the North Carolina Department of Agriculture & Consumer Services have been made aware that at least one “secondary” wholesaler recently solicited pharmacies to purchase “shortage” drugs from a primary wholesaler and then resell them to the “secondary” wholesaler.

Any sales of this sort are wholesale prescription drug transactions. A pharmacy engaged in these sorts of transactions that is not also a currently licensed prescription drug wholesaler would be in violation of North Carolina law.

Secondary wholesalers typically assert that a pharmacy may engage in such transactions without being a wholesaler under a “5% rule” allowing sales to relieve shortages; any such suggestion is false. North Carolina law provides a limited mechanism whereby one pharmacy may, in an emergency situation, transfer a small amount of prescription drugs to another pharmacy. North Carolina law does not provide a mechanism for a pharmacy to sell any amount of a prescription drug to a wholesaler for subsequent distribution to other pharmacies or wholesalers. More information may be found here: www.ncbop.org/faqs/Pharmacist/faq_Wholesalers.htm.

Furthermore, Title II of the DQSA (discussed above) governing drug supply chain security sets forth many federal law requirements for prescription drug wholesalers. Provisions of this statute are being rolled out gradually, but any pharmacy contemplating becoming a prescription drug wholesaler must be aware of these stringent requirements and prepared to meet them.

The Board will continue to work closely with colleagues at the North Carolina Department of Agriculture and the Food and Drug Administration to detect and prevent these threats to a secure prescription drug supply.

* * *

The statistics reported below 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, 2014

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.....	14,960
Total number of active pharmacists residing in North Carolina.....	11,251
Inactive pharmacists residing in North Carolina	2,304
Total number of active pharmacists residing outside of North Carolina	3,709
Total number deceased in FY 2013	10

Breakdown of Employment Settings In-State

Retail Pharmacy – Chain	3,715
Retail Pharmacy – Independent.....	1,654
Hospital Pharmacies	2,809
Nursing Homes	106
Government, Health Departments and Teaching.....	148
Pharmaceutical Manufacturing and Wholesale Sales.....	97
Other	1,518
Sales and Research	84
Unknown Position	1,119

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age.....	1,448
30 – 39 years of age.....	2,959
40 – 49 years of age.....	2,863
50 – 59 years of age.....	2,055
60 – 65 years of age.....	1,010
Over 65 years of age.....	916
In-state Pharmacists – Female	6,589
In-state Pharmacists – Male.....	4,662

PHARMACIES

Total in-state Pharmacy permits on roster	2,728
Retail Pharmacy – Chain	1,268
Retail Pharmacy – Independent.....	716
Hospital Pharmacies	190
Nursing Homes	29
Health Departments	87
Free Clinics.....	38
IV Infusion	36
Automated Dispensing Systems	85

Others	279
Total out-of-state Pharmacy permits on roster	579

DEVICE AND MEDICAL EQUIPMENT

Total DME permits on roster.....	848
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DISPENSING PHYSICIANS

Total Physicians registered.....	786
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PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PA's and NP's registered to dispense	268
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PHARMACY TECHNICIANS

Total Pharmacy Technicians registered.....	17,307
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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*

648 persons applied to the Board for licensure by examination in FY2014.

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

Three (3) candidates were refused on the basis that the candidates did not possess the qualifications necessary to sit for examination.

(4) *The Number of Persons Who Took the Examination*

617 candidates sat for examination in FY2014. Seven (7) candidates withdrew from examination. No candidate failed to appear for examination. As noted above, three (3) candidates were refused examination.

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

Fifty-four (54) candidates failed one or more of the licensure examinations in FY2014.

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

The Board issued 559 licenses by examination in FY2014.

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

289 persons applied for licensure by reciprocity in FY2014.

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

281 persons were granted licensure by reciprocity in FY2014.

(9) The Number of Licenses Suspended or Revoked in FY2014

Total number of complaints received involving licensee and unlicensed activities	287
Total number of inspections conducted	1,733
Total number of "no action" decisions after investigation	58
Total number of "no action" decisions due to Board having no jurisdiction over complaint	67
Total number of injunctions obtained to halt unlicensed practice	1
Total number of warning letters issued post pre-hearing conference or by administrative disposition	70
Total number of cases resulting in consent orders	11
Total number of cases resulting in full board hearings	37
Pharmacist license applications denied	6
Pharmacist licenses revoked	0
Pharmacist licenses suspended	7
Pharmacist licenses surrendered	21
Pharmacy technician registration applications denied	41
Pharmacy technician registrations revoked	1
Pharmacy technician licenses suspended	7
Pharmacy technicians surrendered	21
Pharmacy permit applications denied	48
Pharmacy permits revoked	0
Pharmacy permits suspended	4
Pharmacy permits surrendered	4

DME permit applications denied	0
DME permits revoked	0
DME permits suspended	0
DME permits surrendered	0

(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 8 above), no 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 does not anticipate any request to the General Assembly to amend the Pharmacy Practice Act in FY2015. The Board notes, however, that various public health authorities have discussed a potential request to the General Assembly to grant pharmacists an independent authority to prescribe and dispense naloxone for treatment of opioid overdose.

(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 may undertake rulemaking on the following topics during FY2015:

- Amendments to Board rules governing pharmacy compounding. These amendments will harmonize state requirements with federal requirements under the Drug Quality and Security Act.
- Rulemaking to implement S.L. 2014-100 concerning the dispensing of epinephrine auto-injectors to school personnel.
- Rulemaking to implement any statutes enacted during the General Assembly's 2015 session.
- Rulemaking as part of continuing efforts to simplify and/or improve existing regulations.

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, 2013 AND 2012



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2013

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, 2013. 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.

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2013

Statements of Net Assets

The Statements of Net Position present a fiscal snapshot of the Board's financial position as of September 30, 2013 and 2012. 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets	\$4,504,803	\$ 2,975,718
Non-current assets	1,387,200	1,899,395
Net capital assets	<u>1,523,750</u>	<u>1,587,547</u>
Total assets	<u>7,415,753</u>	<u>6,462,660</u>
Liabilities and net position:		
Current liabilities	14,668	27,721
Non-current liability	<u>134,192</u>	<u>121,936</u>
Total liabilities	<u>148,860</u>	<u>149,657</u>
Net position:		
Invested in capital assets - net of related debt	1,523,749	1,587,547
Unrestricted	<u>5,743,144</u>	<u>4,725,456</u>
Total net position	<u>\$7,266,893</u>	<u>\$ 6,313,003</u>

Current assets consist primarily of cash and short-term investments, which increased in the current year primarily due to the increase in the number of licenses issued. The decrease in net capital assets is attributable to depreciation expense recorded in the current year. The increase in non-current liabilities is due to a normal increase in accrued vacation payable.

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2013

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Position represent the Board's results of operations. The condensed statements for the fiscal years ended September 30, 2013 and 2012, are presented as follows:

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 3,718,647	\$ 3,563,661
Operating expenses	<u>2,790,297</u>	<u>2,715,310</u>
Operating income	928,350	848,351
Non-operating revenues	<u>25,540</u>	<u>28,837</u>
Changes in net position	953,890	877,188
Net position - beginning of year	<u>6,313,003</u>	<u>5,435,815</u>
Net position - end of year	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

Operating revenue consists primarily of pharmacists and pharmacy renewals for the years ended September 30, 2013 and 2012. The consistency of the operating revenue is attributable to the unchanged fees and no major industry changes during the 2013 fiscal year. Non-operating revenue (expense) consists primarily of investment income and interest expense. Operating expenses are related to the operation of the Board, including personnel costs, investigative costs, professional fees, supplies, utilities, and depreciation. Operating expenses were consistent with the prior year. The Board recorded depreciation expense of \$97,557 and \$105,061, for the years ended September 30, 2013 and 2012 respectively.

Events Affecting the Future

Subsequent to year-end, the Board entered into a three-year agreement to re-design the web-based licensing information and online renewal system software.

Contacting the Board's Financial 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

Members of the Board
North Carolina Board of Pharmacy
Chapel Hill, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board of Pharmacy (the "Board"), which comprise the statement of net position as of September 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year 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 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 from 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 Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Pharmacy as of September 30, 2013 and 2012, 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.

Prior Period Financial Statements

The financial statements of the North Carolina Board of Pharmacy as of September 30, 2012, were audited by other auditors whose report dated January 7, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 3, 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 15, 2014

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash	\$ 1,550,862	\$ 572,285
Investments, current portion	2,867,397	2,311,611
Accrued interest	11,538	16,427
Prepaid expenses	75,006	75,395
Total current assets	<u>4,504,803</u>	<u>2,975,718</u>
Non-current assets:		
Investments, less current portion	1,254,827	1,791,460
Note receivable - officer life insurance	132,373	107,935
Total non-current assets	<u>1,387,200</u>	<u>1,899,395</u>
Capital assets, net of depreciation	<u>1,523,750</u>	<u>1,587,547</u>
TOTAL ASSETS	<u>7,415,753</u>	<u>6,462,660</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	14,668	18,391
Unemployment claims payable	-	9,330
Total current liabilities	<u>14,668</u>	<u>27,721</u>
Non-current liability:		
Accrued vacation	<u>134,192</u>	<u>121,936</u>
TOTAL LIABILITIES	<u>148,860</u>	<u>149,657</u>
NET POSITION		
Invested in capital assets, net of related depreciation	1,523,749	1,587,547
Unrestricted	<u>5,743,144</u>	<u>4,725,456</u>
TOTAL NET POSITION	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Pharmacist renewals	\$1,824,255	\$ 1,776,195
Pharmacist reciprocity	177,000	138,000
Pharmacist exam fees	61,000	58,500
Pharmacist/manager changes	27,160	21,525
Pharmacist reinstatements	18,360	17,145
Pharmacy renewals	630,400	602,200
Pharmacy permits	151,500	133,500
Pharmacy reinstatements	4,400	2,000
Technician renewals	370,710	366,330
Technician registrations	97,020	76,680
Technician reinstatements	31,200	31,080
Device and DME permits and renewals	230,100	241,000
Dispensing physician renewals and permits	65,100	65,775
Dispensing PA/NP renewals and permits	20,925	20,250
Pharmacy/pharmacists, lists and labels	8,578	12,622
Law books	14	24
Miscellaneous	925	835
TOTAL OPERATING REVENUES	<u>3,718,647</u>	<u>3,563,661</u>
OPERATING EXPENSES		
Salaries	1,404,360	1,348,097
Payroll taxes	100,493	96,805
Retirement contributions	83,526	79,368
Employee benefits	202,420	190,724
Unemployment claims	1,113	-
Educational expense	200	6,295
Board meeting and election expenses	14,994	16,457
Meetings per diem	10,550	10,900
Professional meetings	7,757	12,178
Inspection expense	59,752	45,152
Building dues and maintenance	21,944	19,416
Office utilities	8,566	8,560
Janitorial service	13,900	12,100
Telephone	14,948	12,063
Auto expense	30,142	33,895
Supplies	18,946	24,327
Books, dues, and subscriptions	9,849	4,040
Postage	6,648	6,763
Printing	5,996	5,976

Continued

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING EXPENSES (Continued)		
Equipment lease	\$ 13,160	\$ 12,735
Maintenance	17,507	19,532
Special meetings and projects	13,417	16,874
Insurance	7,489	7,866
Executive director's expense	12,736	15,057
Office staff travel	7,304	5,284
Miscellaneous	1,970	2,956
Consulting fees	68,394	59,471
Bank service charges	104,803	98,542
Depreciation	97,557	105,061
Legal fees	226,256	235,507
Pharmacist recovery network	194,000	189,000
Audit fee	9,600	9,300
Temporary office help	-	5,009
TOTAL OPERATING EXPENSES	<u>2,790,297</u>	<u>2,715,310</u>
OPERATING INCOME	<u>928,350</u>	<u>848,351</u>
NON-OPERATING REVENUES (EXPENSES)		
Net investment income	45,203	60,252
Unrealized and realized loss on investments	(28,155)	(31,840)
Gain on sale of fixed assets	8,492	425
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>25,540</u>	<u>28,837</u>
CHANGE IN NET POSITION	953,890	877,188
NET POSITION - BEGINNING OF YEAR	<u>6,313,003</u>	<u>5,435,815</u>
NET POSITION - END OF YEAR	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from fees	\$ 3,717,708	\$ 3,562,802
Other cash received	939	859
Cash payments to employees for services	(1,392,104)	(1,322,799)
Cash payments for operating expenses	<u>(1,300,228)</u>	<u>(1,261,249)</u>
Net cash provided by operating activities	<u>1,026,315</u>	<u>979,613</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(33,938)	(25,731)
Proceeds from sale of capital assets	<u>8,670</u>	<u>425</u>
Net cash used in capital and related financing activities	<u>(25,268)</u>	<u>(25,306)</u>
Cash flows from investing activities:		
Net proceeds/(purchases) of investments	(48,124)	(855,144)
Issuance of note receivable	(24,438)	(24,438)
Net investment income	<u>50,092</u>	<u>59,702</u>
Net cash used in investing activities	<u>(22,470)</u>	<u>(819,880)</u>
Net increase in cash	978,577	134,427
Cash - beginning of year	<u>572,285</u>	<u>437,858</u>
Cash - end of year	<u>\$ 1,550,862</u>	<u>\$ 572,285</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 928,350</u>	<u>\$ 848,351</u>
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	97,557	105,061
Changes in assets and liabilities:		
Prepaid expenses	(389)	27,605
Accounts payable and accrued liabilities	3,723	(15,132)
Unemployment claims payable	9,330	(11,570)
Accrued vacation	<u>(12,256)</u>	<u>25,298</u>
Total adjustments	<u>97,965</u>	<u>131,262</u>
Net cash provided by operating activities	<u>\$ 1,026,315</u>	<u>\$ 979,613</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Board of Pharmacy (the "Board") is established under Chapter 90 of the North Carolina General Statutes 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.

Basis of Presentation

The accompanying 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.

For the fiscal year ended September 30, 2013, the Board implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This Statement has been applied retrospectively and had no impact on the Board's basic financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance on how to present two new financial statement elements - "deferred inflows" and "deferred outflows" - within a government's financial statements. In addition, terminology changes were made from the "Net Asset" concept to the "Net Position" concept.

Reporting Entity

The Board is a component unit of the State of North Carolina. 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 appoints the Board members, five after their election by North Carolina pharmacists, and one directly as the Board's public member - and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the North Carolina Board of Pharmacy.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In accordance with GASB No. 34, the Board presents a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The financial statements report all activities of the North Carolina Board of Pharmacy using the current financial resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

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 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

Cash consists of money on deposit with banks.

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 \$500 or greater. Depreciation is computed over estimated useful asset lives ranging from three to thirty-nine years using the straight-line method.

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Recoverability of the asset to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Invested in capital assets - Invested 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 net position - 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.

Income Taxes

The Board is a component of the State of North Carolina and is consequently exempt from federal and state income taxes.

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, disclosures of contingent 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

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at September 30, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Certificates of deposit	\$ -	\$ 1,802,525
Traded certificates of deposit	3,766,949	1,790,902
Money market funds	355,275	225,056
Government bonds	-	284,588
	<u>\$ 4,122,224</u>	<u>\$ 4,103,071</u>

Investment income totaled \$61,858 and \$74,572, for the years ending September 30, 2013 and 2012 respectively. Related investment fees totaled \$16,655 and \$14,320, for the years ending September 30, 2013 and 2012, 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, 2013 were as follows:

0 - 2 years	\$ 3,551,560
3 + years	<u>215,389</u>
	<u>\$ 3,766,949</u>

Credit Risk: Credit risk is the risk that an issuer other counterparty to an investment will not fulfill its obligations. At September 30, 2013, 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, 2013, the Board had cash deposits that exceeded the Federal Depository Insurance Corporation's (FDIC) limits of \$250,000 by \$1,656,137. 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, 2013, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$3,119,594. 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, 2013.

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

NOTE 3 - OFFICER LIFE INSURANCE

The Board owns a life insurance policy jointly with the Executive Director. The amount recorded as note receivable - officer life insurance, represents the Board's equity in the policy, which totaled \$132,373 and \$107,935, at September 30, 2013 and 2012, respectively.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended September 30, 2013, was as follows:

	Cost 9/30/2012	Additions	Disposals	Cost 9/30/2013
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	30,142	-	-	30,142
Furniture and Fixtures	238,031	3,531	-	241,562
Equipment	344,731	30,407	14,958	360,180
Vehicles	175,028	-	32,354	142,674
Total at historical cost	<u>2,688,491</u>	<u>33,938</u>	<u>47,312</u>	<u>2,675,117</u>
Less accumulated depreciation for:				
Building	450,568	48,820	-	499,388
Building improvements	3,889	1,318	-	5,207
Furniture and Fixtures	210,509	9,901	-	220,410
Equipment	292,346	23,360	14,780	300,926
Vehicles	143,632	14,158	32,354	125,436
Total accumulated depreciation	<u>1,100,944</u>	<u>97,557</u>	<u>47,134</u>	<u>1,151,367</u>
Total capital assets, net	<u>\$ 1,587,547</u>	<u>\$ (63,619)</u>	<u>\$ 178</u>	<u>\$ 1,523,750</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for the Board for the year ended September 30, 2012, was as follows:

	Cost 9/30/2011	Additions	Disposals	Cost 9/30/2012
Capital Assets				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	30,142	-	-	30,142
Furniture and Fixtures	240,028	9,685	11,682	238,031
Equipment	439,231	16,047	110,547	344,731
Vehicles	175,028	-	-	175,028
Total at historical cost	<u>2,784,988</u>	<u>25,732</u>	<u>122,229</u>	<u>2,688,491</u>
Less accumulated depreciation for:				
Building	401,748	48,820	-	450,568
Building improvements	2,570	1,319	-	3,889
Furniture and Fixtures	213,271	8,920	11,682	210,509
Equipment	380,441	22,452	110,547	292,346
Vehicles	120,081	23,551	-	143,632
Total accumulated depreciation	<u>1,118,111</u>	<u>105,062</u>	<u>122,229</u>	<u>1,100,944</u>
Total capital assets, net	<u>\$ 1,666,877</u>	<u>\$ (79,330)</u>	<u>\$ -</u>	<u>\$ 1,587,547</u>

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	2013	2012
Beginning accrued vacation	\$ 121,936	\$ 96,638
Vacation earned	110,844	100,696
Vacation used	<u>(98,588)</u>	<u>(75,398)</u>
Ending accrued vacation	<u>\$ 134,192</u>	<u>\$ 121,936</u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 6 - UNEMPLOYMENT CLAIMS PAYABLE

The Board is self-insured for unemployment claims for any terminated employees who file claims with the North Carolina Employment Security Commission (NCESC). The Board reimburses the NCESC for claims that are paid to terminated employees who are entitled to and receive unemployment benefits. The Board currently has two former employees who are entitled to these benefits. The balance related to unemployment claims payable was \$- and \$9,330 at September 30, 2013 and 2012, respectively.

NOTE 7 - OPERATING LEASES

The Board leases a copying machine under an agreement that calls for lease payments of \$6,044 per year ending in October 2014. During the current fiscal year, the Board entered into an agreement to lease a mailing machine for quarterly payments of \$1,557 ending in May 2016. Total equipment lease expense for the years ended September 30, 2013 and 2012, was \$13,160 and \$12,735, respectively.

Future minimum lease payments are as follows:

<u>Years Ending September 30</u>	
2014	\$ 12,272
2015	6,228
2016	<u>4,152</u>
	<u>\$ 22,652</u>

NOTE 8 - 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.

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.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS (Continued)

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, 2013 and 2012, totaled \$217,340 and \$203,078, which consisted of \$83,526 and \$79,368 from the Board and \$133,814 and \$124,340 from employees, respectively.

NOTE 9 - 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 10 - 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 NCBOP web-based licensing information and online renewal system software. NCBOP has agreed to pay quarterly installments of \$30,000 commencing September 1, 2013 and ending March 1, 2016, for these services.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through January 15, 2014, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 75 hours at a cost of \$9,900.