



# North Carolina Licensing Board For General Contractors Instructions for Increase in Limitation Application

(Please provide your accountant with a copy of these instructions.)

## Increase Application Fees:

Intermediate - \$100.00

Unlimited-\$125.00

We are not responsible for lost or undelivered mail. Mail the application form with all attachments to:

North Carolina Licensing Board for General Contractors  
5400 Creedmoor Road  
Raleigh, North Carolina 27612  
(919) 571-4183

Information submitted with any application may be considered a public record, as defined under N.C.G.S. §132-1, et seq and may be subject to disclosure to the public upon request.

1. Answer questions 1-6 either yes or no. If any of the questions are answered yes, all supporting documents, exhibits, etc. must be attached.
2. **Licenses must be renewed** for the current year at the present limitation before an increase may be considered.
3. Signature(s) is required in the space provided for the applicant on the application. If licensed as a partnership, all partners must sign.
4. **Agreed-Upon Procedure Report** prepared by a Certified Public Account or by an Independent Accountant who is engaged in the public practice of accountancy using the Agreed-Upon Procedure Report provided by the North Carolina Licensing Board for General Contractors. (Form included in this document)

OR

**Audited financial statement** with an **unqualified opinion**, a **classified balance sheet** and **notes to the financial** statement prepared by a Certified Public Accountant or by an Independent accountant who is engaged in the public practice of accountancy must be submitted with all applications for increase in limitation. The audited financial statement submitted must be prepared in conformity with generally accepted accounting principles (GAAP), except as set forth in Board rules. Such exceptions are subject to the Board's discretion when it is determined that non-GAAP presentation is required in order to ascertain the working capital of an applicant. Board rule 21 NCAC 12.0204(a)- (f) sets forth licensing financial eligibility requirements. The audited financial statement cannot be older than twelve (12) months from the date of receipt of the application for increase in limitation.

OR

**A surety bond** from a surety authority authorized to transact business in North Carolina pursuant to G.S. 58 Articles 7, 16, 21, or 22. The surety shall maintain a rating from A.M. Best, or its successor rating organization, of either Superior (A++ or A+) or Excellent (A or A-). The bond shall be continuous in form and shall be maintained in effect for as long as the applicant maintains a license to practice general contracting in North Carolina or until the applicant demonstrates the required level of working capital through an Agreed-Upon Procedure Report or an audited financial statement (see above). The licensee shall submit proof of a surety bond meeting the necessary requirements with the increase application and subsequent annual license renewal forms. The licensee shall maintain the bond in the amount five hundred thousand dollars (\$500,000) for an intermediate license, and one million dollars (\$1,000,000) for an unlimited license. The bond shall list the State of North Carolina as obligee and be for the benefit of any person who is damaged by an act or omission of the applicant constituting breach of a construction contract, breach of a contract for the furnishing of labor, materials, or professional services to construction undertaken by the applicant, or by an unlawful act or omission of the applicant in the performance of a construction contract. (21 NCAC 12.0204(e)).

5. The Agreed-Upon Procedure Report, audited financial statement, or surety bond and the application for increase in limitation must be in the **exact same name** of the license as it appears on the records with the NC Licensing Board for General Contractors.
6. A check for the appropriate fee must be attached and made payable to the North Carolina Licensing Board for General Contractors. **Cash is not accepted as a form of payment and will be returned.**
7. The required working capital for the limitation requested on the increase application must be met. **Working capital (current assets minus current liabilities)** \$75,000.00 for an intermediate limitation; and \$150,000.00 for an unlimited limitation.

## License Limitations

**Limited: Can bid upon or construct single projects with a cost or value up to \$500,000.00**

**Intermediate: Can bid upon or construct single projects with a cost or value up to \$1,000,000.00**

**Unlimited: The cost or value of any single project is not limited.**

**North Carolina Licensing Board  
For  
General Contractors  
APPLICATION FOR INCREASE IN LIMITATION**

**Name of Applicant** \_\_\_\_\_  
(exact name of license as issued by the Board)

**Mailing Address** \_\_\_\_\_

**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_ **County** \_\_\_\_\_

**Telephone** (\_\_\_\_) \_\_\_\_\_ **License Number** \_\_\_\_\_

**Requested Limitation:**                       Intermediate                       Unlimited

**E-mail Address** \_\_\_\_\_

Applicants for increase in limitation must complete this form. Applications for increase in limitations must be accompanied by an agreed-upon procedure report, or an audited financial statement with an unqualified opinion, a classified balance sheet and notes to the financial statement prepared by a Certified Public Accountant or by an independent accountant who is engaged in the public practice of accountancy, or a surety bond (See 21 NCAC 12.0204 (a-f) for eligibility requirements and 12.0504). The agreed-upon procedure report or audited financial statement cannot be older than twelve (12) months from the date of receipt of the application for increase.

Questions 1-6 must be answered "YES" or "NO." If any are answered "YES," all supporting documents and exhibits must be attached.

- Yes     No        1.    Have there been any changes in the style, name, personnel, ownership, composition or nature of your business (such as incorporating or entering into a partnership) that you have not previously disclosed to this Board?
  
- Yes     No        2.    Have you declared or been placed in bankruptcy, receivership, or other insolvency and failed to notify the Board?
  
- Yes     No        3.    Is the licensee or any principal shareholder or officer under investigation, or engaged in any controversy with this Board or any other regulatory agency?
  
- Yes     No        4.    Have there been any liens, lawsuits, judgments, or lis pendens filed against the licensee or any principal shareholder or officer which have not been previously disclosed to this Board?
  
- Yes     No        5.    Have you any other contingent or unpaid liabilities that are not fully disclosed to this Board?
  
- Yes     No        6.    Has the licensee, owner, any principal, officer, or qualifier had a conviction for a misdemeanor relating to contracting, or any felony of any kind, or any conviction involving embezzlement or misappropriation of property, which has not been previously disclosed to this Board?

**Information on this application must be typewritten or completed in black ink.**

## Certification Certificates

The application must be signed by the individual, sole proprietor, all partners, LLC members or corporate officers. I affirm that I am authorized to act on behalf of the licensee and that all information provided is truthful and correct. I understand that failure to provide truthful information to the Board may subject the licensee and qualifier(s) to disciplinary action pursuant to N.C.G.S. 87-11 and 87-13. Further, I understand that a violation of N.C.G.S. 87-13 is a Class 2 misdemeanor and may subject me to criminal sanctions.

\_\_\_\_\_  
Print Name (officer, member, owner or partner)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name (officer, member, owner or partner)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name (officer, member, owner or partner)

\_\_\_\_\_  
Signature

On behalf of the applicant/licensee, I certify that I have read and understand the “public notice statement” maintained by the N.C. Industrial Commission, Employee Classification Section on their website. Further, the applicant/licensee has \_\_\_/has not \_\_\_ been investigated for employee misclassification within the past twelve (12) months.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print name and title

\_\_\_\_\_  
Date

## Agreed-Upon Procedures Guide for the Review of Licensee Working Capital

The North Carolina Licensing Board for General Contractors offers three levels of licensure based on the financial stability of the applicant. A **limited license** can be obtained if the applicant presents evidence to the Board that the applicant has working capital that equals or exceeds \$17,000. An **intermediate license** can be obtained if the applicant has working capital that equals or exceeds \$75,000. An **unlimited license** can be obtained if the applicant has working capital that equals or exceeds \$150,000. To protect the public and provide verification to the Board of the reported working capital amount, the following agreed-upon procedures should be performed by a certified public accountant or an independent accountant who is engaged in the public practice of accountancy and the accompanying report should be filed with the Board as part of the license request. Procedures should be performed only for those account balances as reported on the Working Capital Computation schedule.

1. Agree the amounts reported on the Working Capital Computation to the applicant's general ledger or supporting accounting records.
2. Agree all bank accounts on the general ledger as of the reporting date with bank statements. Obtain the most recent bank reconciliation(s) and trace the reconciled book balance(s) to the general ledger and the Financial Balance Sheet.
3. Review the make-up of accounts receivable to verify the accuracy of the amount reported and that the amount reported is supported by adequate documentation.
4. Review any costs in excess of billings on uncompleted contracts to verify the accuracy of the amounts reported.
5. Review any reported marketable securities, stocks, bonds, and retirement accounts and agree amounts to brokerage account statements.
6. Select a sample of inventory items and test X items to ensure existence and proper valuation.
7. Review the amount reported as prepaid to determine that the amount recorded as properly calculated.
8. Review the make-up of accounts payable to verify the accuracy of the amount reported and that the amount recorded is supported by adequate documentation.
9. Review amounts reported as accrued payroll to payroll records to document salary, wages, and payroll tax amounts due.
10. Inquire as to the existence of business or personal credit card(s) being utilized for business purposes. Examine most recent credit card statement to corroborate reported balance.
11. Confirm all line of credit balances as of the reporting date with financial institutions.
12. Inquire as to the existence of any equipment or real estate encumbrances. Review lien to verify the amount reported.
13. Determine if any other procedures are necessary to verify the accuracy of the applicant's presentation of the Financial Balance Sheet. Identify and discuss those procedures with the applicant prior to performing. Complete those procedures to verify the accuracy of the amounts reported.

If the CPA or Independent Accountant chooses to use sampling methodology in performing any of the above procedures, sample selection should be in accordance with the AICPA's guidance for small population sizes. See the following table for sample selection:

Small Population Sample Size Table	
Frequency and Population Size	Sample Size
Quarterly (4)	2
Monthly (12)	2 – 4
Semimonthly (24)	3 – 8
Weekly (52)	5 – 9
Between 52 and 250	10% of the population*

\*Rule of thumb is 10%, but sample size is subject to auditor judgment

<b>NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS WORKING CAPITAL CALCULATION</b>	<b>LICENSE #:</b> _____
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Name of Licensee: \_\_\_\_\_

Organization Type:     Individual     Sole Proprietor     Corporation     LLC     Partnership

Date of Presentation (MM/DD/YYYY): \_\_\_\_\_

<b>CURRENT ASSETS</b>		Dollars (\$)
	Cash on hand and in the bank	\$
	Accounts Receivable (Within 1 year)	\$
	Trade	\$
	Other (Itemize and explain)	\$
	Cost in excess of billings on uncompleted contracts	\$
	Marketable Securities, Stocks, and Bonds	\$
	Inventories – Materials or Houses Built or Developed Lots for Sale	\$
	Prepaid Expenses (insurance, taxes, interest, rents, etc.)	\$
	Other (Itemize and explain)	\$
	Other (Itemize and explain)	\$
	Other (Itemize and explain)	\$
<b>A</b>	<b>Total Current Assets</b>	<b>\$</b>
<b>CURRENT LIABILITIES</b>		
	Accounts Payable (due within 1 year)	\$
	Accrued Payroll	\$
	Taxes Payable	\$
	Credit Card Balance	\$
	Equipment Encumbrances (Amount due within 1 year)	\$
	Real Estate Encumbrances (Amount due within 1 year)	\$
	Line of Credit Balance	\$
	Other (Itemize and explain)	\$
	Other (Itemize and explain)	\$
	Other (Itemize and explain)	\$
<b>B</b>	<b>Total Current Liabilities</b>	<b>\$</b>

**Working Capital: (A – B) = \$** \_\_\_\_\_

**Limited License** must be \$17,000 Working Capital  
**Intermediate License** must be \$75,000 Working Capital  
**Unlimited License** must be \$150,000 Working Capital

Report Prepared By: \_\_\_\_\_