

NORTH CAROLINA STATE BOARD OF OPTICIANS

**Financial Statements for the
Year Ended June 30, 2025 and
Independent Auditor's Report**

NORTH CAROLINA STATE BOARD OF OPTICIANS

**Financial Statements for the
Year Ended June 30, 2025 and
Independent Auditor's Report**

BOARD MEMBERS (2025)

Mark Clark, Chairperson

Carolyn Middlebrooks, Secretary-Treasurer

Christopher Berg

Walter Burke

Theresa Ellis

Neeru Sarin

Lorie Spratley

EXECUTIVE OFFICER

Sue M. Hodgin, Director

LEGAL COUNSEL

Allen & Pinnix, P.A.

NORTH CAROLINA STATE BOARD OF OPTICIANS

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NORTH CAROLINA STATE BOARD OF OPTICIANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the financial activities of the Board. This section of the Board's financial report represents the Board's financial activity and performance. Please read it in conjunction with the financial statements which follow this section.

Overview of the Financial Statements

This financial report consists of the following primary sections: Management's Discussion and Analysis and the Financial Statements. The Financial Statements include notes to the financial statements that provide detail of the information included in the financial statements. The Board has also presented required supplementary information which follows the basic financial statements and notes to the financial statements. It is required by the Governmental Accounting Standards Board (GASB). The financial statements, notes to the financial statements, required supplementary information, and this discussion are the responsibility of Board management.

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board. All activities of the Board are accounted for within the proprietary (enterprise) fund.

The *Statements of Net Position* present the current and long-term portions of assets and liabilities separately. Current assets are those that are available to pay for expenses in the next fiscal year. Deferred outflows of resources consist of deferred outflows for pensions and deferred outflows for other postemployment benefits. Current liabilities are those payable in the next fiscal year. Deferred inflows of resources consist of deferred inflows for pensions and deferred inflows for other postemployment benefit. Net position consists of net investment in capital assets, restricted net position and unrestricted net position. The Board had no restricted net position at year end.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information on how the Board's assets changed as a result of its operations. The Board's revenues are classified as operating or non-operating revenues. Revenues are recognized when earned, regardless of the timing of cash flows. Expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Non-operating revenues and expenses are classified as non-operating in the financial statements.

The *Statements of Cash Flows* present information on how the Board's cash changed as a result of its financial activities. These statements provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities, and investing activities.

The *Notes to the Financial Statements* provide detail of the information included in the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes the Schedule of the Proportionate Share of the Net Pension Liability; the Schedule of Board Contributions (including Notes to the Schedule of Board Contributions); the Schedule of the Proportionate Share of the Net OPEB Liability or Asset; and the Schedule of Board Contributions - OPEB (including Notes to the Schedule of Board Contributions - OPEB).

NORTH CAROLINA STATE BOARD OF OPTICIANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary, Highlights, and Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$198,639 for the year ended June 30, 2025; and by \$208,436 for the year ended June 30, 2024. The largest component of net position was cash and cash equivalents. Cash and cash equivalents represented 181.66% of total net position at June 30, 2025. Cash and cash equivalents represented 169.25% of total net position at June 30, 2024. Current assets consist of cash, accrued interest receivable, and prepaid expenses. Noncurrent assets consist of capital and right-to-use lease assets (net of accumulated depreciation and amortization). Capital and lease assets are not a significant component of assets and are denoted below in the comparative summary. Deferred outflows of resources consist of deferred outflows for pensions and deferred outflows for other postemployment benefits. Current liabilities consist of accounts payable, compensated absences, lease liabilities, and unearned revenue. Noncurrent liabilities consist of compensated absences, lease liabilities (long-term portion, when applicable), net pension liability, and net other postemployment benefits liability. Deferred inflows of resources consist of deferred inflows for pensions and deferred inflows for other postemployment benefit. Net position consists of net investment in capital assets, and unrestricted net position.

The following is a comparative summary of the Statements of Net Position.

	Current Year as of June 30, 2025	Prior Year as of June 30, 2024	Amount of Change	Percentage Change
Current assets	\$ 362,403	\$ 354,230	\$ 8,173	2.31%
Net OPEB asset	53		53	100.00%
Noncurrent assets (capital and lease)	50,342	3,649	46,693	1279.61%
Total assets	\$ 412,798	\$ 357,879	\$ 54,919	15.35%
Deferred outflows of resources	\$ 52,894	\$ 48,680	\$ 4,214	8.66%
Current liabilities	\$ 117,869	\$ 90,204	\$ 27,665	30.67%
Long term liabilities	138,953	93,449	45,504	48.69%
Total liabilities	\$ 256,822	\$ 183,653	\$ 73,169	39.84%
Deferred inflows of resources	\$ 10,231	\$ 14,470	\$ (4,239)	-29.30%
Net investment in capital assets	\$ (489)	\$ (52)	\$ (437)	-840.38%
Unrestricted net position	199,128	208,488	(9,360)	-4.49%
Total net position	<u>\$ 198,639</u>	<u>\$ 208,436</u>	<u>\$ (9,797)</u>	<u>-4.70%</u>

During 2025, the Board's net position decreased by \$9,797, or 4.70%, due primarily to expenses exceeding revenues.

The following is a comparative summary of the Statements of Revenues, Expenses, and Changes in Net Position.

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Operating revenues	\$ 260,698	\$ 252,203	\$ 8,495	3.37%
Operating expenses	285,615	273,513	12,102	4.42%
Non-operating rev/exp	15,120	13,215	1,905	14.42%
Change in net position	\$ (9,797)	\$ (8,095)	\$ (1,702)	-21.03%
Ending net position	<u>\$ 198,639</u>	<u>\$ 208,436</u>	<u>\$ (9,797)</u>	<u>-4.70%</u>

NORTH CAROLINA STATE BOARD OF OPTICIANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary, Highlights, and Analysis

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities.

The following is a comparative breakdown of operating revenues.

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Individual renewals	\$ 163,500	\$ 158,800	\$ 4,700	2.96%
Wall certificates	10,600	12,000	(1,400)	-11.67%
Optician registration fees	23,250	20,850	2,400	11.51%
Apprentice fees	9,065	8,085	980	12.12%
Intern fees	1,645	1,715	(70)	-4.08%
Business registrations	22,500	23,550	(1,050)	-4.46%
Application fees	15,900	12,600	3,300	26.19%
Training establishment fees	9,730	10,115	(385)	-3.81%
Late fees, fines and net penalties	2,100	2,625	(525)	-20.00%
Miscellaneous income	2,408	1,863	545	29.25%
Total	\$ 260,698	\$ 252,203	\$ 8,495	3.37%

During 2025, the operating revenues of the Board increased by \$8,495, or 3.37%, due primarily to an increase in individual renewals, application fees, and registration fees.

The following is a comparative breakdown of operating expenses.

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Personal services (and board expenses)	\$ 80,589	\$ 82,450	\$ (1,861)	-2.26%
Supplies and materials	11,086	9,490	1,596	16.82%
Professional fees	36,009	34,995	1,014	2.90%
Data processing - computer support	24,011	26,042	(2,031)	-7.80%
Travel - board and staff	37,380	30,387	6,993	23.01%
Printing	1,975	2,292	(317)	-13.83%
Postage	2,936	2,568	368	14.33%
Telephone	1,347	2,365	(1,018)	-43.04%
Other contracted services	63,273	59,563	3,710	6.23%
Depreciation and amortization	25,554	21,249	4,305	20.26%
Insurance and bonding	402	326	76	23.31%
Dues and subscriptions	1,043	1,460	(417)	-28.56%
Miscellaneous expenses	10	326	(316)	-96.93%
Total	\$ 285,615	\$ 273,513	\$ 12,102	4.42%

During 2025, the operating expenses of the Board increased by \$12,102, or 4.42%, due primarily to an increase in travel and amortization expense related to right-to-use office lease asset.

NORTH CAROLINA STATE BOARD OF OPTICIANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary, Highlights, and Analysis

The following is a comparative breakdown of non-operating revenues and expense.

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Gain (loss) on disposition of capital assets	\$ (145)	\$ -	\$ (145)	-100.00%
Interest income	16,818	13,687	3,131	22.88%
Interest exp on right-to-use lease assets	(1,553)	(472)	(1,081)	229.03%
Total	<u>\$ 15,120</u>	<u>\$ 13,215</u>	<u>\$ 1,905</u>	<u>14.42%</u>

During 2025, the non-operating revenues of the Board increased by \$1,905, or 14.42%, due primarily to an increase in interest earnings.

Economic and Other Factors Impacting Future Periods

The Board plans to pursue a fee increase before the General Assembly. The Board believes a fee increase will build reserves and better enable the Board to achieve its mission. The management of the Board believes that, with a fee increase, it will have subsequent years with a stronger likelihood of net position increases that will enable it to meet its obligations for at least twelve months from the date of these financial statements

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina State Board of Opticians, 250 New Fidelity Court, Garner, NC 27529.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina State Board of Opticians
Garner, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina State Board of Opticians (Board), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the North Carolina State Board of Opticians as of June 30, 2025, and the results of its operations, changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for one year after the date that the financial statements are issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Schedule of the Proportionate Share of the Net Pension Liability; the Schedule of Board Contributions (including Notes to the Schedule of Board Contributions); the Schedule of the Proportionate Share of the Net OPEB Liability or Asset; and the Schedule of Board Contributions - OPEB (including Notes to the Schedule of Board Contributions - OPEB) 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 historic 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 supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Hawley, C.P.A., P.A.

Angier, North Carolina

October 28, 2025

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

	June 30, 2025	
	Proprietary - Enterprise Fund	
ASSETS		
Current assets:		
Cash in State Treasurer (Notes 1 and 2)	\$	360,841
Accrued interest receivable		1,338
Prepaid expense (Note 1)		224
Total current assets		362,403
Non-current assets:		
Net other postemployment benefits asset (Note 9)		53
Right-to-use lease assets, net of amortization (Notes 1 and 3)		50,272
Capital assets, net of depreciation (Notes 1 and 3)		70
Total non-current assets		50,395
TOTAL ASSETS	\$	412,798
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows for pensions (Notes 1 and 8)	\$	16,699
Deferred outflows for other postemployment benefits (Notes 1 and 9)		36,047
Deferred outflows for other postemployment benefits (Notes 1 and 9)		148
Total deferred outflows of resources	\$	52,894
LIABILITIES		
Current liabilities:		
Accounts payable (Note 4)	\$	14,820
Compensated absences - current portion (Notes 1 and 5)		1,506
Lease liabilities - current portion (Notes 1, 5 and 6)		24,003
Unearned revenue (Note 1)		77,540
Total current liabilities		117,869
Long term liabilities:		
Compensated absences - non-current portion (Notes 1 and 5)		8,533
Lease liabilities - long-term portion (Notes 1, 5 and 6)		26,828
Net pension liability (Notes 1, 5 and 8)		31,115
Net other postemployment benefits liability (Notes 1, 5 and 9)		72,477
Total non-current liabilities		138,953
TOTAL LIABILITIES	\$	256,822

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

	June 30, 2025	
	Proprietary - Enterprise Fund	
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows for pensions (Notes 1 and 8)	\$	289
Deferred inflows for other postemployment benefits (Notes 1 and 9)		9,842
Deferred inflows for other postemployment benefits (Notes 1 and 9)		100
Total deferred inflows of resources	\$	10,231
NET POSITION (NOTE 1)		
Net investment in capital assets	\$	(489)
Unrestricted net position		199,128
TOTAL NET POSITION	\$	198,639

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

		2025
		Proprietary - Enterprise Fund
OPERATING REVENUES:		
Fees, licenses and fines:		
Individual renewals	\$	163,500
Wall certificates - individual licenses and duplicates		10,600
Optician in-charge registration fees		23,250
Apprentice fees		9,065
Intern fees		1,645
Business registrations		22,500
Application fees		15,900
Training establishment registration fees		9,730
Late fees, fines and penalties (net of forfeitures)		2,100
Miscellaneous income		2,408
		260,698
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Salaries (including accumulated leave)	\$	47,821
Social security/medicare contributions		3,658
Pension expense - retirement benefits and unfunded pension liability (Note 8)		10,221
Other postemployment benefits expense (OPEB) (Note 9)		10,573
Other postemployment benefits expense (OPEB) (Note 9)		22
Employee benefits - insurance		8,294
Supplies and materials:		
Office and administrative expenses		11,086
Services:		
Legal, auditing, accounting and other professional fees		36,009
Data processing - computer support		24,011
Board members expenses - transportation		2,492
Staff members and inspectors - travel, meals and lodging		34,888
Printing		1,975
Postage		2,936

See notes to financial statements

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	2025
	Proprietary - Enterprise Fund
OPERATING EXPENSES (CONTINUED):	
Telephone (including internet and network costs)	1,347
Other contracted services - administrative, inspectors and investigative	63,273
Depreciation and Amortization (Notes 1 and 3)	25,554
Insurance and bonding	402
Other expenses:	
Dues and subscriptions	1,043
Miscellaneous expenses	10
	<u>285,615</u>
Operating income (loss)	\$ (24,917)
NON-OPERATING INCOME (EXPENSES):	
Gain (loss) on disposition of capital assets	\$ (145)
Interest income	16,818
Interest expense on right-to-use lease assets	<u>(1,553)</u>
Total net non-operating revenues (expenses)	<u>\$ 15,120</u>
Change in net position	<u>\$ (9,797)</u>
Net position - beginning of year	<u>208,436</u>
Net position - end of year	<u><u>\$ 198,639</u></u>

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	2025
	Proprietary - Enterprise Fund
Cash flows from operating activities:	
Cash received from fees and operating revenue	\$ 258,323
Cash payments to employees for services (including benefits)	(71,482)
Cash payments for operating expenses	(168,671)
Net cash provided (used) by operating activities	\$ 18,170
Cash flows from capital and related financing activities:	
Principal and interest paid on right-to-use lease assets	\$ (26,815)
Net cash provided (used) by capital and related financing activities	\$ (26,815)
Cash flows from investing activities:	
Interest earned	\$ 16,708
Net cash provided (used) by investing activities	\$ 16,708
Net increase (decrease) in cash	\$ 8,063
Cash - beginning of year	352,778
Cash - end of year	\$ 360,841
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (24,917)
Adjustments to reconcile operating income to net cash provided operating activities	
Depreciation	\$ 0
Amortization	25,554
Changes in assets, deferred outflows/inflows of resources and liabilities:	
Net other postemployment benefits asset	(53)
Deferred outflows for pensions and OPEB	(4,214)
Accounts payable	10,801
Compensated absences	(235)
Unearned revenue	(2,375)
Net pension liability	(5,563)
Net other postemployment benefits liability	23,411
Deferred inflows for pensions and OPEB	(4,239)
Total adjustments	\$ 43,087
Net cash provided (used) by operating activities	\$ 18,170
Supplemental disclosure(s) of noncash investing, capital, & financing activities:	
Capital asset write-offs	\$ (145)

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina State Board of Opticians (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of seven members who are appointed by the Governor of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Annual Comprehensive Financial Report (ACFR).

The Board is established to maintain minimum standards for services provided by opticians.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

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 Annual Comprehensive Financial Report (ACFR). 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 Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

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.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash in State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure they are considered a cash equivalent. Ownership interests of the STIF are determined on a fair market valuation basis as of June 30, 2025 in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodial. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Board's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Prepaid Expenses

This classification includes expenses which were prepaid at year end for commercial insurance.

Capital Assets

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$200 or greater at the date of acquisition and an estimated useful life of more than one year. Lease liabilities are capitalized as a right-to-use lease asset when the right-to-use lease asset has a cost of \$500 or greater and an estimated useful life of more than one year. Depreciation and amortization are computed using the straight-line and units of output method over the estimated useful lives of the assets generally estimated as follows: office furniture and equipment, 5 to 7 years; and right-to-use lease assets, 3 to 7 years.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term liabilities include: lease liabilities, compensated absences, net pension liability, and net other postemployment benefits (OPEB) that will not be paid within the next fiscal year.

The net pension liability represents the Board's proportionate share of the collective net pension liability reported in the 2024 State of North Carolina's Annual Comprehensive Financial Report (ACFR). This liability represents the Board's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 8 for further information regarding the Board's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

The net OPEB liability represents the Board's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2024 Annual Comprehensive Financial Report (ACFR). This liability represents the Board's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 9 for further information regarding the Board's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

Compensated Absences

The Board accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Board employees may accumulate up to thirty days earned leave and such leave is fully vested when earned. On December 31 of each year, accrued leave in excess of the limits are transferred and added to sick leave balances. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis.

Accumulated earned leave at June 30, 2025 consisted of the following:

	June 30, 2025
Current portion	\$ 1,506
Long-term portion	8,533
Total	<u>\$ 10,039</u>

Sick leave is earned monthly by eligible employees. The policy provides for the accumulation of unused sick leave to be carried forward until used. When employment is terminated, unused leave is forfeited or used to increase a member's creditable service for employees participating in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Based on a historical analysis of sick leave taken compared to sick leave earned, the liability for unused sick leave using the LIFO method was determined to be insignificant. Therefore, no sick leave liability is recognized on the financial statement.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. When applicable, the Board has the following items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (revenue) until then. When applicable, the Board has the following items that qualify for reporting in this category: deferred inflows related to pensions and deferred inflows related to other postemployment benefits.

Unearned Revenue

The Board's fees are assessed and collected on an annual basis, some of which corresponds with the Board's accounting period and some of which correspond to the calendar year. License renewal fees received in the latter part of the fiscal year are deferred and recognized as revenue over the periods to which they relate.

Net Position

Net investment in capital assets - This component of net position consists of total investment in capital assets (net of accumulated depreciation and amortization) and reduced by outstanding liabilities related to those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 2 - Deposits

Cash in State Treasurer

All of the Board's deposits are either insured, or are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's escrow agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held in the Board's name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Custodial credit risk is the risk that in the event of a bank failure, the Board's funds may not be returned to it. The Board does not have a formal written policy regarding custodial credit risk for its deposits.

Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section. At June 30, 2025, the Board's deposits with the State Treasurer had a carrying value and bank balance of \$360,841 (including undeposited receipts, if any), which was covered by collateral held under the Pooling Method.

Note 3 - Capital Assets

Changes in capital assets as of and for the year ended June 30, 2025 follows:

	Cost 6-30-2024	Increases	Decreases	Cost 6-30-2025
Capital & lease assets:				
Furniture/Equipment	\$ 29,254	\$	\$ (8,121)	\$ 21,133
Right-to-use lease-Raleigh Office	65,228		(65,228)	0
Right-to-use lease-Garner Office		72,392		72,392
Right-to-use lease-office equip	9,418		(9,418)	0
Total Capital & lease assets	<u>\$ 103,900</u>	<u>\$ 72,392</u>	<u>\$ (82,767)</u>	<u>\$ 93,525</u>
Less Accumulated Depr/Amort:				
Furniture/Equipment	\$ (29,039)	\$	\$ 7,976	\$ (21,063)
Right-to-use lease-Raleigh Office	(61,794)	(3,434)	65,228	0
Right-to-use lease-Garner Office		(22,120)		(22,120)
Right-to-use lease-office equip	(9,418)		9,418	0
Total Accumulated Depr/Amort	<u>\$ (100,251)</u>	<u>\$ (25,554)</u>	<u>\$ 82,622</u>	<u>\$ (43,183)</u>
Net capital & lease assets	<u>\$ 3,649</u>	<u>\$ 46,838</u>	<u>\$ (145)</u>	<u>\$ 50,342</u>

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 3 - Capital Assets (Continued)

When an asset is disposed of, the cost of the asset and the related accumulated depreciation/amortization are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$0 for the year ended June 30, 2025. Amortization expense was \$25,554 for the year ended June 30, 2025.

Note 4 - Accounts Payable

Accounts payable consist of amounts due to vendors and amounts due to other state agencies (if any), and are reported separately on the Statement of Net Position.

	June 30, 2025
Due to Vendors	\$ 14,820
Due to Other State Agencies	-
Total Accounts Payable	<u>\$ 14,820</u>

Note 5 - Long-Term Liabilities

A summary of changes in non-current liabilities for the year ended June 30, 2025 follows:

	Bal at 6-30-2024	Additions	Reductions	Bal at 6-30-2025	Current	Non-Current
Net Pension Liability	\$ 36,678	\$	\$ (5,563)	\$ 31,115	\$ -	\$ 31,115
Net OPEB Liability	49,021	23,456		72,477	-	72,477
Net OPEB Liability	45		(45)	0	-	0
Lease Liabilities-Raleigh Office	3,701		(3,701)	0	-	0
Lease Liabilities-Garner Office		72,392	(21,561)	50,831	24,003	26,828
Compensated Absences	10,274	3,780	(4,015)	10,039	1,506	8,533
Total Long-Term Liabilities	<u>\$ 99,719</u>	<u>\$ 99,628</u>	<u>\$ (34,885)</u>	<u>\$ 164,462</u>	<u>\$ 25,509</u>	<u>\$ 138,953</u>

Additional information regarding net pension liability and net other postemployment benefits liability is included in Notes 8 and 9. Additional information regarding lease liability is included in Notes 1 and 6.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 6 - Leases

The Board previously leased office space in Raleigh, North Carolina. The lease expired August 2024 and the Board no longer continues to lease office space at that location. During the fiscal year ended June 30, 2025, the Board moved its office location to Garner, North Carolina. The Board had a commitment under a lease for the new office space before the lease term as follows: a three-year lease agreement for the right-to-use lease (Garner office). The Board's leasing arrangements at June 30, 2025 are summarized below:

Classification:	Number of Lease Contracts	Lease Liability at 6-30-2025	Current Portion	Lease Term	Interest Rate
Lessee:					
Right-to-use lease Garner Office	1	\$ 50,831	\$ 24,003	3 years	3%
Total	1	<u>\$ 50,831</u>	<u>\$ 24,003</u>		

Measurement of the lease liability excluded the following variable payment amounts: (1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and (2) payments based on future performance or usage of the underlying assets. During the fiscal year ended June 30, 2025, the Board did not recognize any variable payment amounts.

Principal and interest lease payments made during the fiscal year ended June 30, 2025 were as follows:

	Principal	Interest	Total
Lease Liabilities-Raleigh	\$ 3,701	\$ 14	\$ 3,715
Lease Liabilities-Garner	21,561	1,539	23,100
Total	<u>\$ 25,262</u>	<u>\$ 1,553</u>	<u>\$ 26,815</u>

Future principal and interest lease payments as of June 30, 2025 were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 24,003	\$ 1,197	\$ 25,200
2027	24,733	467	25,200
2028	2,095	5	2,100
Total	<u>\$ 50,831</u>	<u>\$ 1,669</u>	<u>\$ 52,500</u>

The Board's other leasing arrangements (if any) were evaluated and determined not to meet the requirements of GASB 87.

Additional information regarding leases is included in Notes 1, 3 and 5.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 7 - Net Position

Unrestricted net position has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows.

	<u>Amount</u>
Unrestricted Net Position	<u>\$ 199,128</u>
Effect on unrestricted net position:	
Net Pension Liability and Related Deferred Outflows and Related Deferred Inflows	\$ (14,705)
Net OPEB Liability and Related Deferred Outflows and Related Deferred Inflows (RHBF)	(46,272)
Net OPEB Liability and Related Deferred Outflows and Related Deferred Inflows (DIPNC)	<u>48</u>
Total Effect on Unrestricted Net Position	<u><u>\$ (60,929)</u></u>

See Notes 8 and 9 for detailed information regarding the amortization of the Deferred Outflows of Resources and Deferred Inflows of Resources relating to pensions and OPEB, respectively.

Note 8 - Pension Plans

The Board was ineligible to participate in the Teachers' and State Employees' Retirement System of North Carolina prior to October 1, 2000, except on behalf of one employee who was initially employed by the Board prior to July 1, 1983. On behalf of those employees ineligible to participate in the State Retirement System prior to October 1, 2000, the Board participated in a Simplified Employee Pension Plan. On October 1, 2000, pursuant to General Statute 135-1(b), the Board elected back into the State Retirement System on behalf of its employees and terminated its Simplified Employee Pension Plan. The Board assumes no liability for retiree benefits provided by its retirement plans other than its required contributions in current and future years.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 8 - Pension Plans (Continued)

Defined Benefit Plan - Teachers' and State Employees' Retirement System of North Carolina

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, LEAs, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The Board's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. The Board's contributions were \$8,049 for the year ended June 30, 2025 (as calculated by the North Carolina Office of State Controller).

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 8 - Pension Plans (Continued)

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2024 Annual Comprehensive Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-term Investment, the Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 Annual Comprehensive Financial Report.

Net Pension Liability: At June 30, 2025, the Board reported a liability of \$31,115 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. The Board's proportion of the net pension liability is based on the present value of future salaries for the Board relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the Board's proportion was .00021%, which was a decrease of 4.55% from its proportion measured as of June 30, 2023, which was .00022%.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 8 - Pension Plans (Continued)

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2023
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e., teacher, general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

<i>Asset Class</i>	<i>Long-Term Expected Real Rate of Return</i>
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 8 - Pension Plans (Continued)

Discount Rate: The discount rate used to measure the total pension liability was calculated at 6.5% for the December 31, 2023 valuation. This discount rate is in line with the long-term nominal expected return rate on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the contractually required rates actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2024 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

<i>Net Pension Liability (Asset)</i>		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 57,077	\$ 31,115	\$9,706

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2025, the Board recognized pension expense of \$10,221 (as calculated by the North Carolina Office of State Controller). At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:</i>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 2,804	\$ 92
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,131	-
Changes in proportion and differences between board's contributions and proportionate share of contributions	715	197
Contributions subsequent to the measurement date	8,019	-
Total	<u>\$ 16,669</u>	<u>\$ 289</u>

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 8 - Pension Plans (Continued)

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized in pension expense as follows:

<i>Schedule of the Net Amount of Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources that will be Recognized in Pension Expense:</i>	
Year Ending June 30:	Amount
2026	\$ 2,834
2027	6,209
2028	(133)
2029	(549)
2030	-
Total	<u>\$ 8,361</u>

Note 9 - Other Postemployment Benefits

The Board participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2024 Annual Comprehensive Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500. The Board assumes no liability for other postemployment benefits provided by these programs other than its required contributions in current and future years.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 Annual Comprehensive Financial Report.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

Plan Descriptions

1) Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a non-contributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total non-contributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The Board's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The Board's contributions to the RHBF were \$3,351 for the year ended June 30, 2025.

In fiscal year 2023, the State Health Plan (the Plan) transferred \$35 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the Board recognized noncapital contribution for RHBF in the amount of \$22.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

2) Disability Income

Plan Administration: Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina system, community colleges, certain participating component units, and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the North Carolina Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of General Statutes may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. The Board's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of covered payroll. The Board's contributions to DIPNC were \$62 for the year ended June 30, 2025. The Board assumes no liability for long-term disability benefits under the Plan other than its required current and future years' contributions.

3) Net OPEB Liability (Asset)

Retirement Health Benefit Fund: At June 30, 2025 the Board reported a liability of \$72,477 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The Board's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Board relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the Board's proportion was .00021%, which was an increase of 16.67% from its proportion measured as of June 30, 2023 which was .00018%.

Disability Income Plan of North Carolina: At June 30, 2025 the Board reported an asset of \$53 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability (asset) used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability (asset) to June 30, 2024. The Board's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the Board relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the Board's proportion was .00016%, which was a decrease of 5.88% from its proportion measured as of June 30, 2023 which was .00017%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2024 utilizing update procedures incorporating the actuarial assumptions.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

	Retiree Health Benefit Fund	Disability Income Plan of NC
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases*	3.25%-8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adj for IRA impact through 2027, 6.17% in 2028 down to 5% by 20234	N/A
Healthcare Cost Trend Rate - Administrative***	3%	3%

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return is net of OPEB plan investment expense, including inflation.

*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e., teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e, disabled and not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in RHBF's target allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

<i>Asset Class</i>	<i>Long-Term Expected Real Rate of Return</i>
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2023 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

The discount rate used to measure the total OPEB asset for DIPNC was 3.00% at June 30, 2024 and at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the Board's proportionate share of the net OPEB liability (asset) of the plans, as well as what each plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

RHBF - Net OPEB Liability		
1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
\$ 86,229	\$ 72,477	\$ 61,435
DIPNC - Net OPEB Liability (Asset)		
1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
\$ (47)	\$ (53)	\$ (59)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(Medical - 4.00% - 5.50%)	(Medical - 5.00% - 6.50%)	(Medical - 6.00% - 7.50%)
	Pharmacy - 4.00% - 9.00%	Pharmacy - 5.00% - 10.00%	Pharmacy - 6.00% - 11.00%
	Pharmacy Rebate - 4.00% - 6.00%	Pharmacy Rebate - 5.00% - 7.00%	Pharmacy Rebate - 6.00% - 8.00%
	Med.Advantage - 4.00% - 5.17%	Med.Advantage - 5.00% - 6.17%	Med.Advantage - 6.00% - 7.17%
	Administrative - 2.00%	Administrative - 3.00%	Administrative - 4.00%
RHBF Net OPEB Liability	\$ 59,824	\$ 72,477	\$ 88,859

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2025, the Board recognized OPEB expense (revenue) as follows:

OPEB Plan	Amount
RHBF	\$ 10,573
DIPNC	22
Total OPEB Expense	\$ 10,595

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 9 - Other Postemployment Benefits (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2025 the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<i>Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:</i>			
	<i>RHBF</i>	<i>DIPNC</i>	<i>Total</i>
Difference between actual and expected experience	\$ 591	\$	\$ 591
Changes of assumptions	17,456		17,456
Net difference between projected and actual earnings on OPEB plan investments (see note below)	311		311
Change in proportion and differences between board's contributions and proportionate share of contributions	14,338		14,338
Changes proportion (OSC calculated)			
Contributions subsequent to the measurement date	3,351	62	3,413
		86	86
Total	<u>\$ 36,047</u>	<u>\$ 148</u>	<u>\$ 36,195</u>

<i>Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:</i>			
	<i>RHBF</i>	<i>DIPNC</i>	<i>Total</i>
Difference between actual and expected experience	\$	\$	\$ 0
Changes of assumptions	9,450		9,450
Net difference between projected and actual earnings on OPEB plan investments (see note below)			0
Change in proportion and differences between board's contributions and proportionate share of contributions	392		392
Changes proportion (OSC calculated)			
Contributions subsequent to the measurement date			0
		100	100
Total	<u>\$ 9,842</u>	<u>\$ 100</u>	<u>\$ 9,942</u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<i>Schedule of the Net Amount of Employer's Balances of Deferred Outflows of Resources & Deferred Inflows of Resources that will be Recognized in OPEB Expense:</i>		
Year ending June 30:	<i>RHBF</i>	
2026	\$	4,627
2027		6,882
2028		6,133
2029		5,211
2030		1
Total	<u>\$</u>	<u>22,854</u>

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 10 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of limited commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims (other than claims by employees for health coverage) were filed during the last three fiscal years.

Note 11 - Contingencies

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 12 - Subsequent Events

Subsequent events have been evaluated through October 28, 2025, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required approximately 130 audit hours at a cost of \$11,995.

NORTH CAROLINA STATE BOARD OF OPTICIANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS*

Teachers' and State Employees' Retirement System		2025	2024	2023	2022	2021
(1)	Proportionate share percentage of collective net pension liability	.00021%	.00022%	.00023%	.00021%	.00017%
(2)	Proportionate Share of TSERS collective net pension liability	\$ 31,115	\$ 36,678	\$ 34,137	\$ 9,883	\$ 20,539
(3)	Covered-payroll	\$ 47,189	\$ 41,649	\$ 39,630	\$ 38,867	\$ 33,149
(4)	Proportionate share of the net pension liability as a percentage of covered payroll	65.94%	88.06%	86.14%	25.43%	61.96%
(5)	Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%
Teachers' and State Employees' Retirement System		2020	2019	2018	2017	2016
(1)	Proportionate share percentage of collective net pension liability	.00017%	.00017%	N/A	N/A	N/A
(2)	Proportionate Share of TSERS collective net pension liability	\$ 17,624	\$ 16,925	N/A	N/A	N/A
(3)	Covered-payroll	\$ 33,380	\$ 32,704	N/A	N/A	N/A
(4)	Proportionate share of the net pension liability as a percentage of covered payroll	52.80%	51.75%	N/A	N/A	N/A
(5)	Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

Note- Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

NORTH CAROLINA STATE BOARD OF OPTICIANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS

Teachers' and State Employees' Retirement System		2025	2024	2023	2022	2021
(1)	Contractually required contribution	\$ 8,049	\$ 8,179	\$ 7,176	\$ 6,423	\$ 5,647
(2)	Contributions in relation to the contractually determined contribution	8,049	8,179	7,176	6,423	5,647
(3)	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(4)	Covered payroll	\$ 47,821	\$ 47,189	\$ 41,649	\$ 39,630	\$ 38,867
(5)	Contributions as a percentage of covered payroll	16.79%	17.64%	17.38%	16.38%	14.78%
		2020	2019	2018	2017	2016
(1)	Contractually required contribution	\$ 4,204	\$ 3,886	\$ 3,531	\$ 620	\$ -
(2)	Contributions in relation to the actuarially determined contribution	4,204	3,886	3,531	620	-
(3)	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(4)	Covered payroll	\$ 33,149	\$ 33,380	\$ 32,704	\$ 6,218	\$ -
(5)	Contributions as a percentage of covered payroll	12.29%	12.29%	10.78%	9.98%	9.15%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

NORTH CAROLINA STATE BOARD OF OPTICIANS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF BOARD CONTRIBUTIONS

COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Teachers' and State Employees' Retirement System	Changes in Benefit Terms:					Cost of Living Increase						
	2023	2022	2021	2020	2021	2020	2019	2018	2017	2016	2015	2014
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Increases (COLA's) in the period of the legislative session of Board of Trustees meeting when it was passed. The COLA is effective July 1 of that period and the fiscal year end liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of Board Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Notes for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 Annual Comprehensive Financial Report.

N/A - Not Applicable

NORTH CAROLINA STATE BOARD OF OPTICIANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OR ASSET
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS
LAST NINE FISCAL YEARS*

Retirement Health Benefit Fund		2025	2024	2023	2022	2021	2020	2019	2018	2017
(1)	Proportionate share percentage of collective net OPEB liability (asset)	.00021%	.00018%	.00019%	.00017%	.00013%	.00014%	.00009%	N/A	N/A
(2)	Proportionate share of collective net OPEB liability (asset)	\$ 72,477	\$ 49,021	\$ 44,053	\$ 52,062	\$ 37,274	\$ 44,230	\$ 26,092	N/A	N/A
(3)	Covered payroll	\$ 47,189	\$ 41,649	\$ 39,630	\$ 38,867	\$ 33,149	\$ 33,380	\$ 32,704	N/A	N/A
(4)	Proportionate share of the net OPEB liab (asset) as a percentage of covered payroll	153.59%	117.70%	111.16%	133.95%	112.44%	132.50%	79.78%	N/A	N/A
(5)	Plan fiduciary net position as a percentage of the total OPEB liability (asset)	9.79%	10.73%	10.58%	7.72%	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina		2025	2024	2023	2022	2021	2020	2019	2018	2017
(1)	Proportionate share percentage of collective net OPEB liability (asset)	.00016%	.00017%	.00019%	.00017%	.00014%	.00014%	.00014%	N/A	N/A
(2)	Proportionate share of collective net OPEB liability (asset)	\$ (53)	\$ 45	\$ 57	\$ (28)	\$ (69)	\$ (60)	\$ (43)	N/A	N/A
(3)	Covered payroll	\$ 47,189	\$ 41,649	\$ 39,630	\$ 38,867	\$ 33,149	\$ 33,380	\$ 32,704	N/A	N/A
(4)	Proportionate share of the net OPEB liab (asset) as a percentage of covered payroll	0.11%	0.11%	0.14%	0.07%	0.21%	0.18%	0.13%	N/A	N/A
(5)	Plan fiduciary net position as a percentage of the total OPEB liability (asset)	114.99%	90.61%	90.34%	105.18%	115.57%	113.00%	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended.

* The amounts presented for each fiscal year were determined as of the prior year fiscal year ending June 30.

NORTH CAROLINA STATE BOARD OF OPTICIANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS
LAST TEN FISCAL YEARS

Retirement Health Benefit Fund		2025	2024	2023	2022	2021
(1)	Contractually required contribution	\$ 3,351	\$ 3,311	\$ 2,845	\$ 2,466	\$ 2,552
(2)	Contributions in relation to the contractually determined contribution	\$ 3,351	\$ 3,311	\$ 2,845	\$ 2,466	\$ 2,552
(3)	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(4)	Covered payroll	\$ 47,821	\$ 47,189	\$ 41,649	\$ 39,630	\$ 38,867
(5)	Contributions as a percentage of covered payroll	6.99%	7.14%	6.68%	6.29%	6.68%

		2020	2019	2018	2017	2016
(1)	Contractually required contribution	\$ 2,097	\$ 1,983	\$ 1,982	\$ 347	\$ -
(2)	Contributions in relation to the actuarially determined contribution	\$ 2,097	\$ 1,983	\$ 1,982	\$ 347	\$ -
(3)	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(4)	Covered payroll	\$ 33,149	\$ 33,380	\$ 32,704	\$ 6,218	\$ -
(5)	Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.60%	5.49%

Note - Changes in benefit terms, methods and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

**NORTH CAROLINA STATE BOARD OF OPTICIANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS
LAST TEN FISCAL YEARS**

Disability Income Plan of North Carolina		2025	2024	2023	2022	2021
(1)	Contractually required contribution	\$ 62	\$ 51	\$ (41)	\$ 35	\$ 34
(2)	Contributions in relation to the contractually determined contribution	\$ 62	\$ 51	\$ (41)	\$ 35	\$ 34
(3)	Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4)	Covered payroll	\$ 47,821	\$ 47,189	\$ 41,649	\$ 39,630	\$ 38,867
(5)	Contributions as a percentage of covered payroll	0.10%	0.10%	0.10%	0.09%	0.09%

		2019	2019	2018	2017	2016
(1)	Contractually required contribution	\$ 44	\$ 44	\$ 46	\$ 24	\$ -
(2)	Contributions in relation to the actuarially determined contribution	\$ 44	\$ 44	\$ 46	\$ 24	\$ -
(3)	Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4)	Covered payroll	\$ 33,380	\$ 33,380	\$ 32,704	\$ 6,218	\$ -
(5)	Contributions as a percentage of covered payroll	0.14%	0.14%	0.14%	.38%	.38%

Note - Changes in benefit terms, methods and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

NORTH CAROLINA STATE BOARD OF OPTICIANS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF BOARD CONTRIBUTIONS

COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Effective April 1, 2024, coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Board Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Board Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Notes for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3.00%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*.