

STATE BOARD OF EXAMINERS OF PLUMBING,
HEATING, AND FIRE SPRINKLER CONTRACTORS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021



**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**

Board Members

BOARD MEMBERS (2022)

William H. Eubanks, Chairman

Stuart F. Schwartz, Vice-Chairman

M. Randall Strother, Secretary/Treasurer

William H. Sullivan, III

Troy A. Worrell

Roberto A. Nunez

Patricia K. Selby

EXECUTIVE DIRECTOR

Dale L. Dawson

LEGAL COUNSEL

John N. Fountain

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
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**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022**

Introduction

The following is a discussion and analysis of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors' (the "Board") financial statements for the year ended December 31, 2022. The accompanying financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous two years are presented in the analysis.

Financial Highlights

During 2022, the operating revenues of the Board increased by \$23,130, or .93% primarily due to an increase in exam fees.

During 2022, the non-operating expenses were \$18,139 compared with non-operating revenues of \$71,845 in 2021, due primarily to net realized and unrealized gains on investments in 2021 that were transferred to the Trust in the prior year.

During 2022, the operating expenses of the Board increased by \$272,510 or 12.1%, due primarily to increases in salaries and wages, examination costs and printing fees.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic 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.

The Statements of Net Position present the current and noncurrent portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's net position changed as a result of the year's operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the year's activity.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022

Basic Financial Statements (Continued)

The following presents condensed financial information on the operations of the Board as of December 31, and its operating and non-operating revenues and expenses for the years then ended:

	2022	Restated * 2021	2020
Current assets	\$ 3,438,758	\$ 3,433,303	\$ 3,623,795
Capital assets	1,596,805	1,571,067	1,591,482
Total assets	5,035,563	5,004,370	5,215,277
Deferred outflows of resources	176,842	59,976	63,667
Current liabilities	1,830,371	1,823,933	1,913,418
Noncurrent liabilities	(149,298)	(291,329)	233,595
Total liabilities	1,681,073	1,532,604	2,147,013
Deferred inflows of resources	89,793	93,464	-
Investment in capital assets	1,596,805	1,571,067	1,591,482
Unrestricted	1,844,734	1,867,211	1,540,449
Total net position	\$ 3,441,539	\$ 3,438,278	\$ 3,131,931
Operating revenues	\$ 2,504,122	\$ 2,480,992	\$ 2,012,550
Operating expenses	(2,519,000)	(2,246,490)	(2,143,000)
Operating income (loss)	(14,878)	234,502	(130,450)
Non-operating revenues	18,139	71,845	48,874
Changes in net position	\$ 3,261	\$ 306,347	\$ (81,576)

* As described in Note 8, the Board restated unrestricted net position as of January 1, 2022 for the effect of an accounting error reflected in the prior year's financial statements. The effect on the change in net assets is included in operating expenses and non-operating revenues for the year ended December 31, 2021.

Events Affecting Future Operations

The Board began using computers and in-house server-based applications in the early 2000's, which contained the licensing and enforcement application software (originally CAVU, replaced with ARLS in October, 2018), the electronic document repository (Content Central), the internal file server, Microsoft e-mail, and the Board's official website. In 2022, the Board completed a technology improvement project which included migrating all data, hosting, and security services to leased 'cloud-based' off-site servers. The traditional office telephone system was replaced by Microsoft Teams-based telephone and Microsoft SharePoint file management. This eliminated numerous potential single points of failure and addressed rapidly increasing cyber-security risks and offers 99.9% uptime for staff and clients anywhere in the world, further enhancing the ability to provide 24/7 access to staff and users from anywhere in the world.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022

Events Affecting Future Operations (Continued)

The Board purchased the land and building housing the Board office in 2000. Numerous improvements have been made over the years, with the most recent being an LED lighting improvement project for the parking lot and exterior spaces. Management continues to monitor and evaluate the on-going needs, including the exterior condition of the building, parking lot and landscaping. Funds for any property repairs or improvements will be taken from the Board's reserve.

The Board implemented a Post-Employment Health Benefits Plan effective January 1, 2014. The Board designated investments to be used for funding the plan and made an initial investment of \$75,000 in 2014. The Board added \$25,000 to the fund annually beginning in 2015 through 2018 and \$10,000 in 2019. During the year ended December 31, 2021, the Board added \$50,000 to the fund. The Board established a tax exempt, irrevocable trust in December 2021 in order to fund the other postemployment benefits in advance. The Board contributed the investments previously designated by the Board to fund the OPEB plan benefits to the trust in December 2021. At December 31, 2022, the Trust's investments had a fair value of \$328,956 (fiduciary net position), and the actuarially measured OPEB liability totaled \$133,458, resulting in a net OPEB liability of \$(195,498). The Board made no contribution to the OPEB Trust in 2022.

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: State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors, 1109 Dresser Court, Raleigh, NC 27609.



Independent Auditor's Report

Members of the Board
State Board of Plumbing, Heating, and Fire Sprinkler Contractors
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the "Board"), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the Board's financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors as of December 31, 2022 and 2021, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of 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 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

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 within one year after the date the financial statements are available to be issued.

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 auditing standards generally accepted in the United States of America 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, including omissions, 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 auditing standards generally accepted in the United States of America, 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 we identified during the audit.

Emphasis of Matter

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 we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
April 26, 2023

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Statements of Net Position
December 31, 2022 and 2021

	<u>2022</u>	<u>Restated 2021</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,422,584	\$ 3,396,789
Prepaid expenses	16,174	36,514
Total current assets	<u>3,438,758</u>	<u>3,433,303</u>
Capital assets - net of depreciation:		
Land and building	1,416,411	1,443,853
Furniture, equipment, and software	68,722	77,253
Vehicles	111,672	49,961
Total capital assets - net of depreciation	<u>1,596,805</u>	<u>1,571,067</u>
Total assets	<u>5,035,563</u>	<u>5,004,370</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Other postemployment benefit deferrals	<u>176,842</u>	<u>59,976</u>
Total deferred outflows of resources	<u>176,842</u>	<u>59,976</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	78,736	107,499
Compensated absences - current portion	30,800	26,400
Unearned revenue	1,720,835	1,690,034
Total current liabilities	<u>1,830,371</u>	<u>1,823,933</u>
Noncurrent liabilities:		
Compensated absences - long-term portion	46,200	39,600
Net OPEB liability	(195,498)	(330,929)
Total noncurrent liabilities	<u>(149,298)</u>	<u>(291,329)</u>
Total liabilities	<u>1,681,073</u>	<u>1,532,604</u>
DEFERRED INFLOWS OF RESOURCES:		
Other postemployment benefit deferrals	<u>89,793</u>	<u>93,464</u>
Total deferred inflows of resources	<u>89,793</u>	<u>93,464</u>
NET POSITION:		
Investment in capital assets	1,596,805	1,571,067
Unrestricted	1,844,734	1,867,211
Total net position	<u>\$ 3,441,539</u>	<u>\$ 3,438,278</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
License fees	\$ 2,136,836	\$ 2,176,785
Examination and application fees	218,887	186,385
Late processing fees	13,370	9,990
Other operating revenues	135,029	107,832
Total operating revenues	<u>2,504,122</u>	<u>2,480,992</u>
Operating expenses:		
Salaries and wages	1,068,257	948,367
Payroll taxes	78,215	69,680
Retirement contributions	84,961	74,615
Employee insurance	134,974	129,987
Other postemployment benefits expense	14,894	18,967
Board members' expenses	63,764	56,858
Travel and lodging	63,391	60,458
Telephone	10,355	11,144
Depreciation	80,377	75,275
Computer support	32,205	29,838
Building maintenance and utilities	25,624	21,376
Examination costs	156,825	103,125
Hearing expenses	18,262	25,072
Office and computer expenses	66,548	68,744
Printing	113,622	61,133
Postage and shipping	12,033	13,498
Insurance	42,163	33,637
Dues and publications	6,267	6,254
Legal, audit, and other professional fees	436,540	436,694
Continuing education expenses	9,723	1,768
Total operating expenses	<u>2,519,000</u>	<u>2,246,490</u>
Operating income (loss)	<u>(14,878)</u>	<u>234,502</u>
Nonoperating revenues (expenses):		
Interest and dividends, net of fees	1,763	1,211
Net realized and unrealized gain on investments	-	86,876
Net gain (loss) on sale of assets	16,376	(16,242)
Total nonoperating revenues	<u>18,139</u>	<u>71,845</u>
Changes in net position	3,261	306,347
Net position - beginning of year	<u>3,438,278</u>	<u>3,131,931</u>
Net position - end of year	<u>\$ 3,441,539</u>	<u>\$ 3,438,278</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,399,894	\$ 2,276,991
Cash received from other operating revenues	135,029	107,832
Cash payments to employees for services	(1,355,407)	(1,213,649)
Cash payments to suppliers of goods and services	(904,338)	(807,966)
Cash payments for other operating expenses	(161,407)	(150,410)
Net cash provided by operating activities	<u>113,771</u>	<u>212,798</u>
Cash flows from investing activities:		
Proceeds from sale of capital assets	16,376	-
Purchase of investments	-	(50,000)
Interest reinvested	-	(430)
Net investment income	1,763	1,211
Net cash provided by (used in) investing activities	<u>18,139</u>	<u>(49,219)</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(106,115)	(71,101)
Net cash used in capital and financing activities	<u>(106,115)</u>	<u>(71,101)</u>
Net increase in cash and cash equivalents	25,795	92,478
Cash and cash equivalents - beginning of year	<u>3,396,789</u>	<u>3,304,311</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,422,584</u></u>	<u><u>\$ 3,396,789</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	<u>\$ (14,878)</u>	<u>\$ 234,502</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Other postemployment benefits expense	14,894	18,967
Depreciation	80,377	75,274
Changes in assets and liabilities:		
Prepaid expenses	20,340	(31,860)
Accounts payable	(28,763)	3,084
Unearned revenue	30,801	(96,169)
Compensated absences	11,000	9,000
Total adjustments	<u>128,649</u>	<u>(21,704)</u>
Net cash provided by operating activities	<u><u>\$ 113,771</u></u>	<u><u>\$ 212,798</u></u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the “Board”) is an independent State agency. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes. The Board is composed of seven members who are appointed by the Governor.

The Board is established to protect the public health, safety and welfare of the citizens of North Carolina by maintaining minimum standards for services provided by plumbing, heating and fire sprinkler contractors.

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, 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 may be 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.

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

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

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.

Basis of Accounting

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the cash flows.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

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

Basis of Accounting (Continued)

The Board classifies its revenues as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital 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*.

Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions and consist primarily of investment activities.

Cash and Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10-40 years
Furniture, equipment, and software	3-10 years
Vehicles	8 - 10 years

Unearned Revenue

The Board's fees are assessed and collected on a calendar year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one calendar year. License renewal fees received in the latter part of the fiscal year and related to the subsequent year's renewal period are reported as unearned revenue and recognized as revenue over the one-year period to which they relate.

Compensated Absences

Board employees may accumulate up to thirty days earned vacation which is fully vested when earned. The Board approved a policy in 2013 which was amended in 2017 whereby employees with a minimum of 80 banked hours, who have taken a minimum of 40 hours of vacation during the previous twelve calendar months prior to December 1 of each year, may participate in the Board's vacation leave buy-back program. The employee can sell back a maximum of 80 hours of vacation time annually, but may not fall below 60 hours of accrued vacation time banked. The Board paid \$19,443 and \$18,670 to employees under the vacation buy-back program for the years ended December 31, 2022 and 2021, respectively.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

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

Compensated Absences (Continued)

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave credits at the rate of 8 hours per month for full-time permanent employees. In 2013, the Board approved a policy whereby employees with a minimum of 600 hours of accumulated sick leave may participate in the Board's sick leave buy-back program. The employee can sell back a maximum of 80 hours of sick time during a calendar year, but must maintain a minimum of 520 hours in sick leave. The Board paid \$19,775 and \$15,943 to employees under the sick leave buy-back program for the years ended December 31, 2022 and 2021, respectively. Unused sick leave is not paid upon termination of employment; therefore, no accrual for sick leave has been made.

Employees who are eligible and elect to participate in the vacation and sick leave buy-back programs must notify the Board no later than November 15 of each year with the payment made to the employee on December 15.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statements of Net Position include separate sections for deferred outflows and deferred inflows of resources. The separate financial statement element called deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The Board has the following items that meet the criterion for this category: Other postemployment benefit deferrals which include differences between expected and actual experience, changes in assumptions, and net difference between projected and actual earnings on plan investments, as described in Note 7. The separate financial statement element called deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as income until then. The Board has the following item that meets the criterion for this category: Other postemployment benefit deferrals which include differences between expected and actual experience, and changes in assumptions, as described in Note 7.

Net OPEB Liability

The net OPEB liability represents the total OPEB liability less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, which is actuarially determined. See Notes 6 and 7.

Use of Estimates

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

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

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

Net Position

The Board's net position is classified as follows:

Investment in Capital Assets - This represents the Board's total investment in capital assets net of accumulated depreciation.

Unrestricted - This represents assets with no externally imposed stipulations as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

NOTE 2 - DEPOSITS

The Board's deposits include cash and money market accounts on deposit with financial institutions.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits exceeding FDIC limits are covered by mortgage-backed securities held by the bank.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2022 are as follows:

	Cost 12/31/2021	Additions	Retirements	Cost 12/31/2022	Accum. Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,397,444	9,158	-	1,406,602	490,191	916,411
Furniture/ equipment	529,285	21,395	-	550,680	481,958	68,722
Vehicles	176,665	75,562	38,347	213,880	102,208	111,672
	<u>\$ 2,603,394</u>	<u>\$ 106,115</u>	<u>\$ 38,347</u>	<u>\$ 2,671,162</u>	<u>\$ 1,074,357</u>	<u>\$ 1,596,805</u>

Changes in capital assets for the year ended December 31, 2021 are as follows:

	Cost 12/31/2020	Additions	Retirements	Cost 12/31/2021	Accum. Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,413,727	24,292	40,575	1,397,444	453,591	943,853
Furniture/ equipment	529,569	46,809	47,093	529,285	452,032	77,253
Vehicles	176,665	-	-	176,665	126,704	49,961
	<u>\$ 2,619,961</u>	<u>\$ 71,101</u>	<u>\$ 87,668</u>	<u>\$ 2,603,394</u>	<u>\$ 1,032,327</u>	<u>\$ 1,571,067</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 4 - COMPENSATED ABSENCES

Changes to accrued vacation for the years ended December 31, are as follows:

	<u>2022</u>	<u>2021</u>
Beginning accrued compensated absences	\$ 66,000	\$ 57,000
Vacation earned	74,468	64,060
Vacation used	(63,468)	(55,060)
Ending accrued compensated absences	<u>\$ 77,000</u>	<u>\$ 66,000</u>
Current portion	<u>\$ 30,800</u>	<u>\$ 26,400</u>

NOTE 5 - RETIREMENT PLAN

In 1997, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 401(k). Participating employees must contribute at least 6% of their compensation each year, up to IRS deferral limitations. Additionally, the Board makes discretionary contributions to the plan which amounted to 8.15% of employee compensation during the year ended December 31, 2022. During 2022 and 2021, voluntary contributions by employees were \$109,755 and \$87,811, respectively and the Board's contribution was \$84,961 and \$74,615, respectively. The employee's contributions are 100% vested immediately, and the Board's matching contributions are 100% vested after 5 years of credited service.

NOTE 6 - NET OPEB LIABILITY

During 2014, the Board designated investments to be used for funding post-employment benefits, to be segregated from other funds of the Board and not to be used for any other purpose. On December 1, 2021 the Board established the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors Trust for Other Post-Employment Benefits ("Trust") in order to fund the future benefits related to the Board's other postemployment benefit plan (see Note 7). Accordingly, the Board transferred the investments designated for funding the plan (fiduciary plan assets) to the Trust in December 2021. The net OPEB liability represents the total OPEB liability, as determined by the actuarial valuation, less the OPEB plan's fiduciary net position at December 31, as follows:

	<u>2022</u>	<u>2021</u>
Total OPEB liability	\$ 133,458	\$ 121,207
Fiduciary plan net position	328,956	452,136
Net OPEB liability	<u>\$ (195,498)</u>	<u>\$ (330,929)</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 7 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Effective January 1, 2014, the Board established the *State Board of Examiners of Plumbing, Heating & Fire Sprinkler Contractors Retiree Health Care Arrangement* (the "Plan"), which is considered an other post-employment benefit plan ("OPEB"). The Plan is accounted for under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Effective December 1, 2021, the Board established the *State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors Trust for Other Post-Employment Benefits* (the "Trust"), an irrevocable tax-exempt trust, in order to finance the related benefits of the Plan in advance. The Trust consists of all contributions paid to it, all investment income and realized and unrealized gains and losses, less any amounts paid out of the Trust to pay reasonable expenses of maintaining the Trust. The assets, liabilities, income and expenses of the Trust are not included in the Board's accompanying financial statements.

Plan Description

The Plan is a self-administered, single-employer plan. As noted above, the Board established a trust in accordance with Governmental Accounting Standard Board Statements 74 and 75 ("GASB 74/75") in December 2021. Significant terms of the Plan are as follows:

Employees retiring on or after age 60 and having completed 20 years but less than 25 years of Board service shall be eligible to receive a defined contribution from the Board of \$161 per month for health care costs.

Employees retiring on or after age 60 and having completed 25 years but less than 30 years of Board service shall be eligible to receive a defined contribution from the Board of \$269 per month for health care costs.

Employees retiring after completion of 30 years of Board service at any age shall be eligible to receive a defined contribution from the Board of \$428 per month for health care costs.

Every six years the Board's Executive Committee will perform a market comparison and, at the discretion of the Board's Executive Committee, may increase the amount of the defined distribution to mimic the increase in the economic environment of the previous five year period, but in no case may the Board decrease the defined contribution.

Employees covered by the terms of the benefit at December 31, 2022:

Active employees	12
Retired participants and beneficiaries	-
	<u>12</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
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Notes to Financial Statements

NOTE 7 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Total OPEB Liability

At December 31, 2022, the Board reported a total OPEB liability of \$133,458. The OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of December 31, 2022. See the required supplementary information, *Schedule of Changes in the Total OPEB Liability and Related Ratios* for the current year changes in the OPEB liability.

Assumption Changes: The recommended mortality tables from the 2019 experience study for the North Carolina Local Governmental Employees' Retirement System pension plan were adopted resulting in an outflow. There was an inflow due to actual experience differing slightly from expected experience. The asset return net of investment expenses in 2022 was -27.24% compared to the assumed rate of return of 6.0%. This resulted in an outflow due to the difference between actual and expected earnings on plan investments.

Actuarial Assumptions: Key actuarial assumptions and methods that were used for the December 31, 2022 actuarial valuation are set forth below.

Retirement Rates - All participants are assumed to retire upon attainment of age 60 and 20 years of service.

Discount Rate - As of December 31, 2022, the asset balance in the trust is sufficient to cover the expected obligations of the plan. Accordingly, pursuant to GASB 75 the discount rate may be the long term expected rate of return on assets, which was 6% at December 31, 2022 and 2021.

Disability - None assumed.

Termination Rates - None assumed.

Mortality Rates - The rates used are for the December 31, 2019 North Carolina Local Governmental Employees' Retirement System Valuation. Sample rates are listed below.

Age	Pre-Retirement		Post-Retirement	
	Male	Female	Male	Female
25	0.0280%	0.0090%		
30	0.0360%	0.1500%		
35	0.0470%	0.0230%		
40	0.0660%	0.0360%		
45	0.0980%	0.0560%		
50	0.1490%	0.0830%		
55	0.2190%	0.1230%	0.4771%	0.2860%
60	0.3190%	0.1860%	0.6845%	0.6840%
65	0.4680%	0.2960%	1.0637%	0.6130%
70	0.7030%	0.4890%	1.8278%	1.6300%
75	1.0960%	0.8080%	3.2266%	1.8830%
80	1.7300%	1.3300%	5.8099%	3.3600%

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
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Notes to Financial Statements

NOTE 7 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Total OPEB Liability (Continued)

Medical Trend - The benefit is not related to the future cost of medical care.

Election Percentage - It is assumed that 100% of eligible retirees will elect to receive coverage upon retirement.

Marriage Percentage - There are no spousal benefits under the plan.

Inflation Rate - 2.25% per year.

Salary Increases - 3.00% per year.

Actuarial Funding Method - Entry Age Normal, level percent of payroll.

Changes in Assumptions Since the Prior Valuation - The recommended mortality tables from the 2019 experience study for the NCLGERS pension plan were adopted.

Sensitivity of the Net OPEB liability to changes in the discount rate - The following presents the Net OPEB liability, calculated using the current discount rate, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
<u>(\$175,224)</u>	<u>(\$195,498)</u>	<u>(\$212,634)</u>

Sensitivity of the Net OPEB liability to changes in the healthcare cost trend rates - not applicable as the benefit provided is a Board defined flat dollar benefit. The Board may increase the amount of the defined distribution, but in no case may the Board decrease the defined contribution. Accordingly, there is no trend assumption.

Other Post Employment Benefit Expense

Service cost	\$ 6,697
Interest on the total OPEB liability	7,272
Expensed portion of current-period difference between expected and actual experience in the total OPEB liability	(123)
Expensed portion of current-period change in assumptions	20
Expected earnings on plan investments	(27,128)
Expensed portion of current-period difference between expected and actual earnings on plan investments	30,062
Recognition of deferred inflows	(5,597)
Recognition of deferred outflows	3,691
OPEB Expense	<u>\$ 14,894</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 7 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Deferred Outflows of Resources Related to OPEB

At December 31, 2022, the Board reported deferred outflows and inflows of resources related to other post employment benefits from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 6,164	\$ (1,926)
Changes of assumptions	50,432	(87,867)
Net difference between projected and actual earnings on plan investments	120,246	-
Total	<u>\$ 176,842</u>	<u>\$ (89,793)</u>

Collective amounts reported as deferred outflows and inflows of resources will be recognized in expense in future years as follows:

<u>Year ended December 31,</u>	Deferred Outflows	Deferred Inflows
2023	\$ 33,773	\$ (5,720)
2024	33,773	(5,720)
2025	33,773	(5,720)
2026	33,771	(5,720)
2027	3,711	(5,720)
Thereafter	38,041	(61,193)
	<u>\$ 176,842</u>	<u>\$ (89,793)</u>

NOTE 8 - RESTATEMENT

The Board restated unrestricted net position as of January 1, 2022 for the effect of an accounting error reflected in the prior year's financial statements. The fair value of investments that was transferred into the Trust at December 31, 2021 (fiduciary net position) was reported as contribution expense and included in nonoperating expenses; however, the fiduciary net position should have reduced the OPEB total liability at December 31, 2021 in accordance with GASB 75 (see Note 6). The effects of the changes as of and for the year ended December 31, 2021 are as follows:

	As Originally Reported	As Restated	Effect of Change
Net OPEB liability	\$ 121,207	\$ (330,929)	\$ (452,136)
Net position, end of year	\$ 2,986,142	\$ 3,438,278	\$ 452,136
Contributions to State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors Trust for Other Postemployment Benefits	\$ 452,136	\$ -	\$ (452,136)

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
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NOTE 9 - 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. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's Public Officers' and Employees' Liability Insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes Board members, building and contents, commercial liability, workers compensation and employers' liability, and vehicle.

NOTE 10 - 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 year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 26, 2023, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 80 hours at a cost of \$15,750.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Schedule of Changes in the Total OPEB Liability and Related Ratios
Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
Total OPEB Liability		
Service cost	\$ 6,697	\$ 16,646
Interest	7,272	4,227
Difference between expected and actual experience	(2,049)	-
Assumption changes	<u>331</u>	<u>(99,061)</u>
Net change in total OPEB liability	12,251	(78,188)
Total OPEB liability - beginning	<u>121,207</u>	199,395
Total OPEB liability - ending	<u><u>\$ 133,458</u></u>	<u><u>\$ 121,207</u></u>
 Covered-employee payroll	 <u><u>\$ 998,827</u></u>	 <u><u>\$ 881,408</u></u>
 Net of OPEB liability as a percentage of covered-employee payroll	 13.36%	 13.75%

*** Restatement of OPEB liability included in assumption changes

**Information for periods prior to the implementation of GASB 75 is unavailable and will be completed for each year going forward as information becomes available.*