

**STATE BOARD OF EXAMINERS
OF ELECTRICAL CONTRACTORS
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS

JUNE 30, 2023 AND 2022

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3200 CROASDAILE DRIVE
SUITE 501
DURHAM, NC 27705

OFFICE: (919) 383-7026
FAX: (919) 382-0673

Independent Auditors' Report

The Honorable Roy A. Cooper
Governor of North Carolina
State Board of Examiners of Electrical Contractors
The General Assembly of North Carolina

Opinion

We have audited the accompanying financial statements of the State Board of Examiners of Electrical Contractors, an enterprise fund of the State of North Carolina, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audits.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State Board of Examiners of Electrical Contractors as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We conducted our audit 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 the Financial Statements section of our report. We are required to be independent of State Board of Examiners of Electrical Contractors 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

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 State Board of Examiners of Electrical Contractors' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgement 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 State Board of Examiners of Electrical Contractors 's internal control. According, 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 State Board of Examiners of Electrical Contractors 's ability to continue as a going concern for a reasonable period of time.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Board of Examiners of Electrical Contractors and do not purport to, and do not present fairly the financial position of the State of North Carolina, as of June 30, 2023 and June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* on pages 5-9 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.

Other Postemployment Benefits

Accounting principles generally accepted in the United States of America require that certain disclosures concerning other postemployment benefits be presented as required supplementary information (see page 24) to 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. The required supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and we have applied certain limited procedures, 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 11, 2023 and October 14, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Durham, North Carolina
October 11, 2023

Barbara Woodé Associates, LLC

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

This section of the North Carolina State Board of Examiners of Electrical Contractors financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2023. This information should be read in conjunction with the audited financial statements included in this report.

Overview of the Financial Statements

The Statements of Net Position provide information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year. Assets and liabilities on these statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. The Board currently has unearned license fees allocable to future years which constitute deferred inflows. Net position on these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statements of Net Position provide information relative to the financial strength of the board and its ability to meet current and long-term obligations.

The Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure and examination activities for the public practice of electrical contracting in the State. Non-operating activities include primarily investment income and, occasionally, income from sale of equipment. Overall, the Statements of Revenues, Expenses, and changes in Net Position provide information relative to the Board's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net position reported on both statements.

The Statements of Cash Flows provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities, and investing activities. These statements provide a reconciliation of beginning cash balances to ending cash balances and are representative of activity reported on the Statements of Revenues, Expenses, and Changes in Net Position as adjusted for changes in beginning and ending balances of noncash accounts on the Statements of Net Position.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balances.

In using the basic financial statements, the Notes to the Financial Statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits and investments, detailed information on capital assets and noncurrent liabilities, revenues,

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

and expenses, and required information on pension plans. Overall, the Notes to the Financial Statements provide information to better understand details, risks, and uncertainties associated with amounts reported in the basic financial statements.

Financial Analysis

Net position is an indicator of the financial health of the Board. The Board's net position increased from \$1,019,988 as of June 30, 2022 to \$1,199,984 as of June 30, 2023, an increase of \$179,996.

Condensed Statements of Net Position

The following condensed statements summarize the Board's assets, liabilities and net position as of June 30, 2023, 2022 and 2021.

	Condensed Statement of Net Position		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$2,746,839	\$2,488,542	\$2,328,110
Noncurrent assets - net	<u>35,981</u>	<u>125,071</u>	<u>225,336</u>
Total assets	2,782,820	2,613,613	2,553,446
Liabilities:			
Current liabilities	110,079	186,815	155,571
Long-term liabilities	<u>515,102</u>	<u>475,505</u>	<u>531,882</u>
Total liabilities	625,181	662,320	687,453
Unearned revenue	<u>957,655</u>	<u>931,305</u>	<u>928,347</u>
Total liabilities and unearned revenue	1,582,836	1,593,625	1,615,800
Net Position:			
Invested in capital and right to use lease assets	35,981	125,071	225,346
Unrestricted	<u>1,164,003</u>	<u>894,917</u>	<u>712,300</u>
Total net position	<u>\$1,199,984</u>	<u>\$1,019,988</u>	<u>\$ 937,646</u>

Current Assets

Current assets consist principally of cash and certificates of deposit of \$2,602,844 and \$2,163,795, respectively, as of June 30, 2023 and 2022.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Noncurrent Assets

Noncurrent assets are reflected below:

	Capital Assets		
	June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$260,881	\$ 257,413	\$ 256,019
Vehicles	<u>129,595</u>	<u>155,399</u>	<u>155,399</u>
Total	<u>390,476</u>	<u>412,812</u>	<u>411,418</u>
	Right To Use Lease Assets		
	June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Office space	205,924	205,924	205,924
Furniture and Equipment	<u>18,116</u>	<u>18,116</u>	<u>18,116</u>
Total	<u>224,040</u>	<u>224,040</u>	<u>224,040</u>
Total noncurrent assets	<u>\$614,516</u>	<u>\$ 636,852</u>	<u>\$ 635,458</u>

The Board disposed one vehicle in 2023.

The Board implemented GASB – 87, leases in 2022 which required retrospective restatement of the June 30, 2021 financial statements. The effects of the restatement created right to use assets and corresponding lease liabilities based on the present value of rents to be paid for both office space and equipment. The right to use assets are amortized and lease liabilities are reduced as rents are paid.

Liabilities

GASB 75, Accounting and Reporting for Postemployment Benefits Other Than Pensions (OPEB), became effective in 2018. Accordingly, the OPEB liability for 2022 was \$374,719, and for 2023 was \$410,778. In addition, deferred inflows of resources related to OPEB decreased by \$26,821 in 2022, and increased by \$4,438 in 2023.

Net Position

The Board's net position consists of amounts invested in capital assets and right to use assets as of June 30, 2023, 2022 and 2021 of \$35,981, \$125,071 and \$225,336, respectively, and unrestricted net position of \$1,164,003, \$894,917 and \$712,310. The Board has made certain internal designations of these unrestricted amounts.

The following Condensed Statements of Revenues, Expenses and Changes in Net Position present the Board's operating results for the years ending as indicated:

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Condensed Statement of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
License fees	\$1,693,855	\$1,670,471	\$1,588,156
Exam fees	191,525	174,310	150,254
Other	<u>95,406</u>	<u>89,420</u>	<u>86,463</u>
	1,980,786	1,934,201	1,824,873
Operating Expenses:			
Salaries and employee benefits	811,327	885,938	889,970
Professional fees	309,979	242,944	260,975
Insurance	153,490	146,571	137,257
Depreciation and amortization	92,558	101,658	108,274
Other	410,126	404,101	314,379
Postemployment benefits other than pensions	<u>63,888</u>	<u>40,272</u>	<u>33,169</u>
	1,841,368	1,821,484	1,744,024
Operating Income	<u>139,418</u>	<u>112,717</u>	<u>80,849</u>
Non-operating Income (Expenses)	<u>40,578</u>	<u>(30,375)</u>	<u>23,731</u>
Change in Net Position	179,996	82,342	104,580
Net Position - Beginning	<u>1,019,988</u>	<u>937,646</u>	<u>833,066</u>
Net Position - Ending	<u>\$1,199,984</u>	<u>\$1,019,988</u>	<u>\$937,646</u>

Operating Revenues

Operating Revenues were \$1,980,786, \$1,934,201 and \$1,824,873 for the years ended June 30, 2023, 2022 and 2021, respectively. Licensee renewal occurs in all twelve months of a year which necessitates a calculation of amounts deferred to another Board fiscal year. The change in deferred license fees from one year to the next can increase license revenue or decrease license revenue. The licensee fee revenue increased by \$82,315 in 2022 and increased \$23,384 in 2023 due to increases in licensees and increases in name changes.

Operating Expenses

Management's focus on cost control helped to curb costs in the 2022, statements. However, there was a significant increase in exam fees due to a substantial increase in exam applicants in 2022 as well as a substantial increase in insurance.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Request for information

This report is intended to provide a summary of the financial position the NC State Board of Examiners of Electrical Contractors. Questions or requests for additional information should be addressed to Tim Norman, Executive Director, 505 N. Greenfield Pkwy, Suite 100, Garner, NC 27529 or 919-733-9042

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF NET POSITION
ENTERPRISE FUND
JUNE 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,017,062	\$ 1,707,013
Certificates of deposit	585,782	456,782
Marketable securities, at fair value (Note 3)	92,839	282,181
Total	2,695,683	2,445,976
Prepaid expense (Note 6)	51,156	42,566
Total Current Assets	2,746,839	2,488,542
Noncurrent assets:		
Capital assets, net of depreciation (Note 8)	12,064	41,986
Right to use lease assets, net of amortization (Notes 8, 9)	23,917	83,085
Total Noncurrent Assets	35,981	125,071
Total Assets	2,782,820	2,613,613
LIABILITIES		
Current liabilities		
Accounts payable	69,778	83,336
Accrued vacation (Note 10)	28,027	28,852
Current portion of lease liability (Note 9)	12,246	74,394
Interest Payable	28	233
Amount due Engineering Foundation (Note 7)	-	-
Total Current Liabilities	110,079	186,815
Long-term liabilities		
Liability for postemployment benefits other than pensions (Note 5)	410,778	374,719
Deferred inflows of resources (Note 5)	58,343	53,905
Accrued vacation (Note 10)	45,981	33,893
Lease Liability (Note 9)	-	12,988
Total Long-term Liabilities	515,102	475,505
Total Liabilities	625,181	662,320
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	957,655	931,305
NET POSITION		
Net Investment in capital and right to use lease assets	35,981	125,071
Unrestricted (Note 6)	1,164,003	894,917
Total Net Position	\$ 1,199,984	\$ 1,019,988

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
Years Ended JUNE 30,

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Charges for services:		
License fees	\$ 1,693,855	\$ 1,670,471
Examination and application fees	191,525	174,310
Administrative fees	57,072	56,110
Other	38,334	33,310
Total operating revenues	<u>1,980,786</u>	<u>1,934,201</u>
OPERATING EXPENSES		
Telecommunications	14,530	15,175
Insurance	153,490	146,571
Postage		7,810
Office supplies	7,606	7,545
Equipment leasing and maintenance	83,594	61,179
Depreciation and amortization of right to use assets (Note 8)	92,558	101,658
Audit expense	14,450	11,560
Board member expense	36,959	33,839
Staff expense	68,065	74,433
Legal fees	283,023	220,284
Salaries and temporary labor	715,745	774,723
Payroll taxes	51,014	57,795
Retirement (Note 4)	44,568	53,420
Postemployment benefits other than pensions (Note 5)	63,888	40,272
Interest expenses - leases (Note 9)	1,496	3,761
Dues and publications	645	535
Exam expense	114,590	124,360
Payroll services	6,307	4,685
Accounting services	12,506	11,100
Miscellaneous	353	274
Credit card transaction fees	51,604	46,988
Background searches	3,237	3,083
Engineering Foundation (Note 7)	-	-
Civil penalties	21,140	20,434
Total operating expenses	<u>1,841,368</u>	<u>1,821,484</u>
Operating income	\$ 139,418	\$ 112,717

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
Years Ended JUNE 30,

	<u>2023</u>	<u>2022</u>
NONOPERATING REVENUES (EXPENSES):		
Interest and dividend income	\$ 13,340	\$ 9,746
Gain on sale of equipment	9,200	-
Gain (loss) on sale of investment securities	3,380	(15,374)
Unrealized (loss) on investment securities	14,658	(24,747)
Nonoperating revenues (expenses)	<u>40,578</u>	<u>(30,375)</u>
Change in net position	179,996	82,342
Unrestricted net position - beginning	<u>1,019,988</u>	<u>937,646</u>
Unrestricted net position - ending	<u><u>\$ 1,199,984</u></u>	<u><u>\$ 1,019,988</u></u>

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
Years Ended JUNE 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from licensees and applicants	\$ 1,885,380	\$ 1,844,781
Cash received from others	95,406	89,420
Cash paid to employees and professionals	(1,014,461)	(1,029,480)
Cash paid to suppliers	(753,728)	(714,569)
Net cash flows from operating activities	<u>212,597</u>	<u>190,152</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(3,468)	(1,394)
Proceeds from sale of capital assets	9,200	
Net cash flows from financing activities	<u>5,732</u>	<u>(1,394)</u>
Cash flows from investing activities		
Increase (decrease) in certificates of deposit	(129,000)	(91,667)
Receipt of interest and dividend income	13,340	9,747
Purchase of marketable securities		(311,764)
Proceeds from sale of marketable securities	207,380	301,918
Net cash flows from investment activities	<u>91,720</u>	<u>(91,766)</u>
Net change in cash and cash equivalents	310,049	96,992
Cash and cash equivalents - beginning	<u>1,707,013</u>	<u>-</u>
Cash and cash equivalents - ending	<u>\$ 2,017,062</u>	<u>\$ 96,992</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 139,418	\$ 112,717
Adjustments to reconcile operating income to net cash provided		
(used) by operating activities:		
Depreciation	21,537	31,181
Amortization of right to use assets	71,021	70,478
Changes in assets and liabilities:		
Increase in prepaid expenses	(8,590)	(2,049)
Increase (decrease) in accounts payable	(13,558)	35,359
Increase (decrease) in accrued vacation	11,263	(11,813)
Decrease in lease liability	(75,136)	(70,088)
Increase in unearned revenue	26,350	2,958
Increase in liability for postemployment benefits	36,059	26,821
Increase (decrease) in deferred inflows - post		
employment benefits	4,438	(5,412)
Decrease in interest payable	(205)	
Net cash provided by operating activities	<u>\$ 212,597</u>	<u>\$ 190,152</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1—Summary of Significant Accounting Policies

Description of Organization

The State Board of Examiners of Electrical Contractors (the Board) is an occupational licensing board and is authorized under Chapter 87 of the North Carolina General Statutes.

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 statement of net position reflects all assets including long-term assets, and all obligations including long-term obligations.

The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues of the Board. Primary revenues include fees and other charges paid by licensees.

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the Board's accounts are maintained during the year using the modified accrual basis of accounting. However, at year-end, financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash flows take place.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - continued

Use of Estimates

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

Deferred Inflows of Resources

Unearned revenues consist principally of license fees collected in advance.

Capital Assets

Capital assets are defined by the Board as assets with an initial individual cost of \$300 or more and an estimated useful life of more than two years. Purchased assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5 - 10
Computer equipment	3 - 4
Vehicles	4 - 5

Right to Use Lease Assets

The Board has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related leases.

Lease Liability

Because the leases of office equipment and its office space qualify as other than short-term leases under GASB 87, they have been recorded as lease liabilities at the present value of future minimum lease payments as of the date of implementation of GASB 87, July 1, 2020

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - continued

Accrued Vacation

The vacation leave policy of the Board provides for accumulation of earned vacation leave with such leave being fully vested when earned. Because vacation leave is payable to employees at termination, a liability for the outstanding balances has been recorded. That portion of accrued vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements (first-in, first-out method of using accumulated time).

Postemployment Benefits Other Than Pensions

The Board provides healthcare benefits to retirees who have reached certain combinations of age and years of service as more fully described in Note 6.

Net Position

Net position in the financial statements reflects net investments in capital assets, and unrestricted amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Marketable Securities

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on its valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs such as management's assumption of the default rate among underlying mortgages of a mortgage backed security.

Definition of Operating Versus Non-Operating Revenues

Operating revenues are considered to be all revenues directly related to the provision of services. All other revenues are considered non-operating.

Note 2—Deposits and Investments

The Board maintains cash balances, money market accounts and certificates of deposit at several financial institutions in Raleigh, North Carolina. Certificates of deposit

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - continued

have a book and market value of \$ at June 30, 2023. Certificates of deposit have varying interest rates and staggered maturities over the next year.

Custodial Credit Risk – Deposits. 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 does not have a formal deposit policy for custodial credit risk. As of June 30, 2023 there was custodial credit risk on the Board's bank deposits in the amount of \$1,291,795.

Note 3—Marketable Securities

Marketable securities are invested in mutual funds and bond funds and are categorized as Level 1 investments with readily ascertainable market prices:

	<u>Cost</u>	<u>Unrealized Gain (loss)</u>	<u>Market Value</u>
Balance June 30, 2022	\$303,000	\$(20,819)	\$282,181
Cost of securities sold	(204,000)		(204,000)
Proceeds of Sale	207,380		207,380
Distributions	(207,380)		(207,380)
Change in Value	<u> </u>	<u>14,658</u>	<u>14,658</u>
June 30, 2023	<u>\$99,000</u>	<u>\$(6,161)</u>	<u>\$92,839</u>

During the years indicated the Board sold securities as follow:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Sale proceeds	\$207,380	\$301,918
Cost	<u>(204,000)</u>	<u>317,292</u>
Gain (loss) on sale	<u>\$ 3,380</u>	<u>\$(15,374)</u>

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 – Pension Plans

Defined Contribution Plan

The Board and its employees along with seven other licensing boards, are participants in the North Carolina Licensing Boards Retirement Plan, a 401(k) defined contributions plan covering eligible employees. The plan requires a mandatory employee contribution equal to 6% of each participant's compensation. In addition, the employer is required to make a contribution equal to 6% of each participant's compensation for the year. Employee contributions are fully vested at all times. Employees are eligible to

participate in the retirement plan on the date of employment. Vesting of employer contributions begins at the completion of one year of service (20%) and increases an additional 20% per year until reaching 100% vesting in year five. Normal retirement age is deemed to be age 65. Benefits are distributed to participants pursuant to the election of the plan participant.

For the years ended June 30, 2023 and 2022 the Board contributed \$44,568 and \$53,420, respectively. There were no employer liabilities to the North Carolina Licensing Boards Retirement Plan at June 30, 2023 or 2022.

Note 5– Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

Plan Description. The Board has a defined benefit healthcare plan in place for retirees who meet certain conditions. The plan provides lifetime healthcare insurance for eligible retirees through the Board's group health insurance plan which covers both active and retired employees. Employees retiring on or after age sixty and having at least ten, but less than twenty, years of Board service are eligible for health insurance provided by the Board by paying 50% of the health insurance premium. Employees retiring on or after age sixty and having completed twenty or more years of Board service are eligible for health insurance paid entirely by the Board. Employees retiring after completion of thirty years of service at any age are eligible for health insurance paid entirely by the Board. When a retiree becomes eligible for Medicare, the Board will pay the cost of supplemental insurance coverage based on the above criteria. Family members may be covered at the retiree's expense.

Funding Policy. The Board operates its healthcare plan on a "pay-as-you-go" basis. For the year ended June 30, 2022, the Board paid benefits of \$18,863 for healthcare coverage for retirees. In 2023, total retiree benefits paid were \$23,391. However, the Board has segregated funds in specific accounts to be used to pay future post-employment benefits other than pensions. Balances in those accounts totaled \$394,749 and \$369,115 on June 30, 2023 and 2022 respectively.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 5-continued

Employees covered by benefit terms. At June 30, 2022 and 2021 the following number of employees were covered by the plan:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Retired Employees	5	4
Active Employees	<u>7</u>	<u>10</u>
	<u>12</u>	<u>14</u>

Total OPEB Liability

The Board's OPEB liability of \$410,778 was measured as of June 30, 2023.

Actuarial assumptions and other inputs. The total OPEB liability at June 30, 2023 was measured by the alternative measurement method using the following actuarial assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

Retirement age for active employees – The retirement age is assumed to be age 60 with the requisite years of service unless employment has already continued beyond age 60 or after 30 years of service is reached if not yet age 60.

Mortality – Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 68, number 4 published May 7, 2019. The United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data maintained by the U.S. Office of Personnel Management for the employee group covered by the Federal Employees Retirement System were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. Rates ranged from 3.0% to 9.4% from 2010 to 2020 and beyond.

Health insurance premiums – 2023 health insurance premiums for active and retired employees were used as the basis for calculation of the present value of total benefits to be paid.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 5 - continued

Discount Rate - Based on the yield of 3.6% for 20 year general obligation tax exempt bonds with a rating of AA/Aa or higher as noted on munibondadvisor.com. In addition, the unit credit cost method was used for actuarial calculations because payroll is not a factor in determining benefits.

Changes in Total OPEB Liability

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	<u>\$374,719</u>	<u>\$347,898</u>
Changes for the Year:		
Service cost	56,241	40,989
Interest	13,490	10,924
Difference in expected and actual experience	(12,082)	1,886
Benefit payments	(23,391)	(18,863)
Changes in assumptions	<u>1,801</u>	<u>(8,115)</u>
Net changes	36,059	26,821
Ending balance	<u><u>\$410,778</u></u>	<u><u>\$374,719</u></u>

The differences in expected and actual experience and changes in assumptions for June 30, 2021 have been reflected in the statement of net position as deferred inflows of resources from OPEB to be amortized over the average remaining service lives of employees (page 18). Differences in expected and actual experience have been reflected as deferred inflows of resources in 2023 to be amortized over remaining service lives.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.14 percent) or 1-percentage-point higher (4.14 percent) than the current discount rate:

	1% Decrease <u>(2.6%)</u>	Discount Rate <u>(3.6%)</u>	1% Increase <u>(4.6%)</u>
Total OPEB Liability	\$425,238	\$410,778	\$370,516

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates- The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.0 to 8.4) or 1-percentage-point higher (4.0 to 10.4)

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 5 - continued

	1% Decrease <u>.2%</u>	Healthcare Cost Trend Rates <u>3%</u>	1% Increase <u>4%</u>
Total OPEB Liability	\$368,011	\$410,778	\$427,904

Schedule of Deferred Inflows and Outflows of Resources - Net

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2024	\$ 7,644
2025	7,644
2026	7,644
2027	7,644
2028	7,644
Thereafter	<u>20,123</u>
	<u>\$ 58,343</u>

Note 6 - Net Position

The Board has adopted the following policies in order to assure that all expenses of the Board for the current fiscal year be fully provided for:

- a) In an effort to provide resources to replace existing fixed assets, the Board assigns funds equal to a calculated amount of the annual depreciation. This reserve is cumulative (currently \$368,675) and is reduced by the purchase of replacement assets. In response to GASB 51, agencies and component units of the State of North Carolina will follow new capitalization thresholds for intangible assets, including internally generated computer software, effective July 1, 2009. Because the threshold becomes \$1,000,000 in the future and major upgrades to software have been completed, it is highly unlikely that resources will be called upon to replace computer software that would amount to more than \$1,000,000 or to replace office upfitting for its existing facilities.
- b) Reserves of net position for prepaid expenses. At June 30, 2023, net position reserved for prepaid expenses consists principally of insurance and office rent.
- c) During the fiscal year ended June 30, 1999, the Board approved establishing a reserve of \$2,000 per year for retiree health and hospitalization insurance. For June 30, 2012, the reserve was increased by \$4,000 to \$32,000. However, Government Accounting Standards Board (GASB) Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, has become effective. GASB Statement 75 requires that the annual required contribution, as actuarially calculated, be recorded in the statement of

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

revenues, expenses and changes in net position and any corresponding other postemployment benefit (OPEB) liability be recognized on the statement of

Note 6 - continued

net position, minus any benefits paid out. Accordingly, the retiree health insurance reserve does not measure the obligation for future benefits, but does recognize that future benefits must be provided.

Unrestricted net position is summarized as follows:

	<u>June 30,</u> <u>2023</u>	<u>2022</u>
Designated		
Replacement of capital assets	\$ 368,675	\$350,606
Prepaid expenses	51,156	42,566
Retiree insurance	<u>32,000</u>	<u>32,000</u>
	451,831	425,172
Unrestricted	<u>712,172</u>	<u>469,745</u>
	<u>\$1,164,003</u>	<u>\$894,917</u>

Note 7— Amount Due Engineering Foundation, Inc.

Chapter 87, Article 45 of the North Carolina General Statutes provides that the Board shall retain no more than 20% of the prior year's gross receipts after providing for all expenses of the Board for the period. Excess funds shall be forwarded to the North Carolina Engineering Foundation, Inc. for the benefit of the Electrical Engineering Department of the Greater University of North Carolina.

The Board has obtained a legal interpretation of what the language in the statute means with regard to how the amount due the Engineering Foundation is to be calculated this year and in future years.

For June 30, 2023 the amount due to the Engineering Foundation, Inc. is calculated as follows:

Change in Net Position	<u>\$ 179,996</u>
Less:	
Gross Receipts	1,980,786
Percent to Retain	<u>x 20%</u>
	<u>396,157</u>
Amount Due Engineering Foundation, Inc.	<u>\$ 0</u>

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 8 – Noncurrent Assets

Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	ASSETS			
	June 30, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2023</u>
Furniture and equipment	\$ 257,413	\$ 3,468	-	\$ 260,881
Vehicles	<u>155,399</u>	<u>-</u>	<u>\$(25,804)</u>	<u>129,595</u>
	<u>\$ 412,812</u>	<u>\$ 3,468</u>	<u>\$(25,804)</u>	<u>\$ 390,476</u>

	ACCUMULATED DEPRECIATION			
	June 30, <u>2022</u>	<u>Depreciation Expense</u>	<u>Retirements</u>	June 30, <u>2023</u>
Furniture and equipment	\$246,770	\$ 5,866	-	\$ 252,636
Vehicles	<u>124,056</u>	<u>15,671</u>	<u>\$(25,804)</u>	<u>113,923</u>
	<u>\$ 370,826</u>	<u>\$21,537</u>	<u>\$(25,804)</u>	<u>\$ 366,559</u>
<u>Capital Assets</u>				
<u>Net of depreciation</u>	<u>\$ 41,986</u>			<u>\$ 23,917</u>

Right to Use Lease Assets

	ASSETS			
	June 30, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2023</u>
Office space	\$ 205,924	-	-	\$ 205,924
Furniture and Equipment	<u>18,116</u>	<u>-</u>	<u>-</u>	<u>18,116</u>
	<u>\$ 224,040</u>	<u>-</u>	<u>-</u>	<u>\$ 224,040</u>

	ACCUMULATED AMORTIZATION			
	June 30, <u>2022</u>	<u>Amortization Expense</u>	<u>Retirements</u>	June 30, <u>2023</u>
Office space	\$130,057	\$ 65,029	-	\$ 195,086
Furniture and Equipment	<u>10,898</u>	<u>5,992</u>	<u>-</u>	<u>16,890</u>
	<u>\$140,955</u>	<u>\$ 71,021</u>	<u>-</u>	<u>\$ 211,976</u>
<u>Right to Use Assets</u>				
<u>Net of amortization</u>	<u>\$ 83,085</u>			<u>\$ 12,064</u>

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 9— Lease Liability

The Board leases a copier and a postage meter in addition to its office space.

The office lease commenced September 1, 2018 and expires August 31, 2023. Rents reflect a 3% annual increase over the lease period and are due on the first of each month. The lease liability is measured at a discount rate of 3.14% which is deemed to be the Board's incremental borrowing rate. As a result of this lease, the Board has recorded a right to use asset at \$205,924

The copier lease commenced July 1, 2018 and expires in 63 months. Rent is due monthly on the first of each month at \$429. The discount rate used to measure the lease liability is 3.14%

The postage meter lease began July 1, 2016 and terminates June 30, 2023. Rents are \$189 per quarter. The discount rate used to measure the lease liability is 3.14%

As a result of the above equipment leases, the Board has recorded a combined right to use asset at \$18,116,

The future minimum lease payment schedule is as follow:

Year Ending <u>June 30,</u> BEGINNING	Rent <u>Payment</u>	Interest <u>Expense</u>	Reduction of <u>Liability</u>	Lease <u>Liability</u>
				\$ 12,988
2024	<u>12,298</u>	<u>52</u>	<u>12,246</u>	-

At June 30, 2023 the current portion of the lease liability is \$12,246

Note 10— Accrued Vacation

Accrued vacation is summarized for June 30, 2023 as follows:

	June 30, <u>2022</u>	<u>Additions</u>	<u>Usage</u>	June 30, <u>2023</u>
Accrued vacation liability	\$62,745	\$39,290	\$(28,027)	\$74,008

The current portion of accrued vacation at June 30, 2023 is estimated at \$28,027.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 11– Subsequent Events

Management has evaluated subsequent events through September 29, 2023, the date the financial statements were available to be issued.

Note 12– North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 75 audit hours at a cost of \$14,000.

STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE IN THE BOARD'S OPEB LIABILITY
Last 5 Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service cost	\$ 56,241	\$ 40,989	\$ 40,203	\$ 19,208	\$ 15,634	\$ 39,447	\$ 39,590
Interest	13,490	10,924	7,472	11,224	10,822	7,990	6,736
Changes in assumptions	1,801	(8,115)	(26,480)	-	(28,963)	-	-
Difference in expected and actual experience	(12,082)	1,886	(979)	11,289	(40,582)	(40,704)	(7,050)
Benefit Payments	<u>(23,391)</u>	<u>(18,863)</u>	<u>(21,459)</u>	<u>(14,177)</u>	<u>(8,786)</u>	<u>(9,570)</u>	<u>(4,503)</u>
Net Change in OPEB Liability	36,059	26,821	(1,243)	27,544	(51,875)	(2,837)	34,773
Total OPEB Liability							
Beginning	<u>374,719</u>	<u>347,898</u>	<u>349,141</u>	<u>321,597</u>	<u>373,472</u>	<u>376,309</u>	<u>341,536</u>
Ending	<u>\$410,778</u>	<u>\$374,719</u>	<u>\$347,898</u>	<u>\$349,141</u>	<u>\$321,597</u>	<u>\$ 373,472</u>	<u>\$ 376,309</u>

Notes to schedule:

No OPEB liability is presented for years earlier than 2017 because the liability was not determined in accordance with GASB 75.

The OPEB liability was calculated using the alternative measurement method for employers plans that cover less than 100 active and retired employees.

No OPEB liability as a percentage of covered employer payroll is presented because payroll is not a factor in measuring the OPEB liability.

No net OPEB liability is presented because the Board's OPEB plan is not administered through a trust as noted in GASB No. 75 paragraph 4 in which:

- a) Contributions from the employer to the plan and earnings on those contributions are irrevocable
- b) Plan assets are dedicated to providing OPEB to plan members
- c) OPEB plan assets are legally protected from the employer's creditors and the plan administrator, as well as from creditors of plan members.

The discount rate was adjusted to 3.6% (from 3.14%) to reflect current yields on 20 year general obligation tax exempt bonds with a rating of AA/Aa or higher.

Changes in assumptions and differences in expected and actual experience are amortizable over the average remaining service lives of active employees.



3200 CROASDALE DRIVE
SUITE 501
DURHAM, NC 27705

OFFICE: (919) 383-7026
FAX: (919) 382-0673

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

State Board of Examiners of Electrical Contractors
Raleigh, North Carolina

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Board of Examiners of Electrical Contractors (Board) as of and for the years ended June 30, 2023 and June 30, 2022 and the related notes to the financial statements and have issued our report thereon dated October 11, 2023 and October 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material* weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GARRETT, DODD & ASSOCIATES, LTD.

Garrett Dodd & Associates, Ltd.

Durham, North Carolina
October 11, 2023