

October 3, 2024

Board of Directors  
State Board of Examiners of Electrical Contractors  
Garner, NC

We have audited the financial statements of the State Board of Examiners of Electrical Contractors (the "Board") as of and for the year ended June 30, 2024, and have issued our report thereon dated October 3, 2024. Professional standards require that we provide you with certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 30, 2024. Professional standards also require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 30, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and material weaknesses, and other matters noted during our audit in a separate letter to you dated September 6, 2024.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses, and other matters noted during our audit in a separate letter to you dated October 3, 2024.

#### **Compliance with All Ethics Requirements Regarding Independence**

We confirm that we are independent of the State Board of Examiners of Electrical Contractors, and we have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the following significant risks, which were considered in our planning and performance of the audit:

- Improper revenue recognition
- Management override of controls

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies used by the Board is included in Note 1 to the financial statements. During the year ended June 30, 2024, the Board adopted GASB Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* (GASB 100). Additionally, during the year ended June 30, 2024, the Board elected to transition to the actuarial method of valuation for estimating the OPEB liability. We noted no transactions entered into by the Board during the year for which there is a lack of guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Significant Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of depreciation is based on the useful lives of the property and equipment being depreciated.
- The initial recording of right-of-use leased assets and their related liabilities are based on the discount rate used to measure the present value of future lease obligations.
- The total other post-employment benefits (OPEB) liability is estimated using actuarial assumptions.
- Unearned revenue from exam fees is estimated as the fees received in June.

We evaluated the factors and assumptions used to develop the above estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.



Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Board's financial statements relate to:

- The fair value investment disclosure in Note 3, which classifies investments within hierarchy levels, offering insight into the reliability of the fair value measurements.

The financial statement disclosures are neutral, consistent and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected the misstatements listed in Appendix A.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Board's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Management Representation**

We have requested certain written representations from management, which are included in the management representation letter dated October 3, 2024.

#### **Management's Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Board, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Board's auditors.

**Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis, and the Schedule of Changes in the Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplement the basic financial statements.

Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Directors and management of the State Board of Examiners of Electrical Contractors and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

*Glidewell CPA, PLLC*

Glidewell CPA, PLLC

Cary, North Carolina

October 3, 2024

**Appendix A**  
NC State Board of Examiners of Electrical Contractors  
**ADJUSTING JOURNAL ENTRIES**  
June 30, 2024

| Account   | Description                    | Debit             | Credit            |
|---|--------------------------------|-------------------|-------------------|
| <b>Adjusting Journal Entries</b>  |                                |                   |                   |
| <b>AJE # 1</b>  |                                |                   |                   |
| To adjust A/P for June PSI exam fees  |                                |                   |                   |
| 201   | Accounts Payable               |                   | 11,480.00         |
| 545   | Exam Expense                   | 11,480.00         |                   |
| <b>Total</b>  |                                | <b>11,480.00</b>  | <b>11,480.00</b>  |
| <b>AJE # 2</b>  |                                |                   |                   |
| To adjust accrued vacation  |                                |                   |                   |
| 570   | Salary                         |                   | 6,076.00          |
| 251   | Accrued Vacation -Current      | 28,027.00         |                   |
| 280   | Accrued Vacation - Long term   |                   | 21,951.00         |
| <b>Total</b>  |                                | <b>28,027.00</b>  | <b>28,027.00</b>  |
| <b>AJE # 3</b>  |                                |                   |                   |
| To adjust accumulated depreciation and true-up to schedule                    |                                |                   |                   |
| 642   | Depreciation Expense           | 23,981.65         |                   |
| 155   | Accumulated Depreciation       |                   | 23,981.65         |
| 642   | Depreciation Expense           |                   | 1,668.65          |
| 155   | Accumulated Depreciation       | 1,668.65          |                   |
| <b>Total</b>  |                                | <b>25,650.30</b>  | <b>25,650.30</b>  |
| <b>AJE # 4</b>  |                                |                   |                   |
| To adjust lease liability and prepaid expenses for prepayment of office lease |                                |                   |                   |
| 120   | Prepaid Expenses               |                   | 8,516.81          |
| 216   | Interest Payable               | 2,176.71          |                   |
| 220   | ST Lease Liability             | 6,340.10          |                   |
| <b>Total</b>  |                                | <b>8,516.81</b>   | <b>8,516.81</b>   |
| <b>AJE # 5</b>  |                                |                   |                   |
| To adjust investment in capital asset net assets and designated funds.        |                                |                   |                   |
| 330   | Investment in Fixed Assets     |                   | 100,111.00        |
| 320   | Designated for Furn/Equipment  | 111,110.00        |                   |
| 328   | Reserve for Prepaids           | 51,156.00         |                   |
| 340   | Undesignated Funds             |                   | 62,155.00         |
| 335   | Retiree Insurance Reserve Fund |                   | 382,141.00        |
| 340   | Undesignated Funds             | 382,141.00        |                   |
| <b>Total</b>  |                                | <b>544,407.00</b> | <b>544,407.00</b> |



**AJE # 6**

To restate beginning of year balances for GASB 75 (OPEB).

|              |                                 |                   |                   |
|--------------|---------------------------------|-------------------|-------------------|
| 282          | Post Employment Benefits        |                   | 222,543.00        |
| 290          | Deferred Inflow Chg Assumptions | 47,469.00         |                   |
| 295          | Deferred Inflow Exp Differences | 10,874.00         |                   |
| 340          | Undesignated Funds              | 164,200.00        |                   |
| <b>Total</b> |                                 | <b>222,543.00</b> | <b>222,543.00</b> |

**AJE # 7**

To adjust for current year OPEB expense

|              |                                 |                  |                  |
|--------------|---------------------------------|------------------|------------------|
| 282          | Post Employment Benefits        |                  | 27,006.00        |
| 515          | Insurance                       |                  | 14,944.00        |
| 290          | Deferred Inflow Chg Assumptions |                  | 8,691.00         |
| 295          | Deferred Inflow Exp Differences |                  |                  |
| 615          | OPEB Expense                    | 50,641.00        |                  |
| <b>Total</b> |                                 | <b>50,641.00</b> | <b>50,641.00</b> |

**AJE # 8**

To adjust CD balance included accrued interest.

|              |                          |                  |                  |
|--------------|--------------------------|------------------|------------------|
| 455          | Interest Income          |                  | 22,250.00        |
| 110          | Certificates of Deposits | 22,250.00        |                  |
| <b>Total</b> |                          | <b>22,250.00</b> | <b>22,250.00</b> |

**AJE # 9**

To record estimated deferred exam fees (June receipts)

|              |                    |                  |                  |
|--------------|--------------------|------------------|------------------|
| gcp276       | Deferred exam fees |                  | 28,620.00        |
| 445          | Exam Fees          | 28,620.00        |                  |
| <b>Total</b> |                    | <b>28,620.00</b> | <b>28,620.00</b> |

**STATE BOARD OF EXAMINERS OF  
ELECTRICAL CONTRACTORS**

**Financial Statements**

**Year ended June 30, 2024**



# STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS

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## **STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS**

### **Management's Discussion and Analysis**

#### **For the Fiscal Year Ended June 30, 2024**

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The following is a discussion and analysis of the NC State Board of Examiners of Electrical Contractors' (the "Board") financial performance for the fiscal year ended June 30, 2024. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

#### **Financial Highlights**

During the year ended June 30, 2024, the operating revenues of the Board increased by \$157,151 or 7.9%, primarily due to an increase in fees and number of licensees.

During the year ended June 30, 2024, the operating expenses of the Board increased by \$103,521 or 5.6%, primarily due to increases in office lease expenses, including a change of office, utilities and salaries and benefits.

During the year ended June 30, 2024, the non-operating revenues of the Board increased by \$68,978, or 170.0% primarily due to an increase in investment income.

#### **Overview of the Basic 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 positions 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 ELECTRICAL CONTRACTORS

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

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The following presents condensed financial information on the operations of the Board as of and for the year ended June 30:

|                                      | 2024                | 2023                |
|--------------------------------------|---------------------|---------------------|
| Current assets                       | \$ 3,063,184        | \$ 2,740,994        |
| Capital assets - net of depreciation | 969,721             | 50,276              |
| Total assets                         | <u>4,032,905</u>    | <u>2,791,270</u>    |
| Current liabilities                  | 1,189,126           | 1,048,157           |
| Noncurrent liabilities               | 1,496,700           | 707,329             |
| Total liabilities                    | <u>2,685,826</u>    | <u>1,755,486</u>    |
| Deferred inflows of resources        | <u>8,691</u>        | <u>-</u>            |
| Net position:                        |                     |                     |
| Investment in capital assets         | 124,028             | 29,580              |
| Unrestricted                         | 1,214,360           | 1,006,204           |
| Total net position (deficit)         | <u>\$ 1,338,388</u> | <u>\$ 1,035,784</u> |
| Operating revenues                   | \$ 2,137,937        | \$ 1,980,786        |
| Operating expenses                   | 1,944,889           | 1,841,368           |
| Operating income                     | <u>193,048</u>      | <u>139,418</u>      |
| Non-operating revenues               | 109,556             | 40,578              |
| Changes in net position              | <u>\$ 302,604</u>   | <u>\$ 179,996</u>   |

### Events Affecting Future Operations

As of the issuance of this financial report, there are no major events planned that may affect future operations.

### 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 and expends. If you have any questions about this report or need additional information, contact the North Carolina State Board of Examiners of Electrical Contractors, 505 N. Greenfield Pkwy, Suite 100, Garner, NC 27529 or 919-733-9042



## **Independent Auditor's Report**

Members of the Board  
State Board of Examiners of Electrical Contractors  
Raleigh, North Carolina

### **Opinion**

We have audited the financial statements of the State Board of Examiners of Electrical Contractors (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of June 30, 2024, 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 financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2024, and the changes in its financial position and its 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

## **Emphasis of Matters**

As discussed in Note 1, the financial statements presented are only for the Board and do not purport to, and do not present fairly the financial position of the State of North Carolina as of June 30, 2024, or the changes in its financial position and its cashflows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, during the year ended June 30, 2024, the Board elected to transition to the actuarial method of valuation for estimating the OPEB liability and restated its unrestricted net position resulting in a decrease of \$164,200 as of July 1, 2023.

Our opinion is not modified with respect to these matters.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 - 2, and Schedule of Changes in the Total OPEB Liability and Related Ratios on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Gidewell CPA, PLLC

Cary, North Carolina

October 3, 2024



**STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS****Statement of Net Position****June 30, 2024****ASSETS:**

## Current assets:

|                           |                  |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 1,774,097     |
| Prepaid expenses          | 27,628           |
| Investments               | <u>1,261,459</u> |
| Total current assets      | <u>3,063,184</u> |

## Capital assets:

|   |                  |
|---|------------------|
| Right to use leased assets, net of amortization | 834,694          |
| Property and equipment, net of depreciation     | <u>135,027</u>   |
| Total capital assets - net                      | <u>969,721</u>   |
| Total assets                                    | <u>4,032,905</u> |

**LIABILITIES:**

## Current liabilities:

|                                      |                  |
|--------------------------------------|------------------|
| Accounts payable                     | \$ 67,918        |
| Accrued payroll and benefit expenses | 7,256            |
| Interest payable                     | 84               |
| Lease liabilities, current portion   | 77,252           |
| Unearned revenue                     | <u>1,036,616</u> |
| Total current liabilities            | <u>1,189,126</u> |

## Noncurrent liabilities:

|   |                  |
|---|------------------|
| Accrued vacation                          | 67,932           |
| Lease liabilities, net of current portion | 768,441          |
| Other postemployment benefit liability    | <u>660,327</u>   |
| Total noncurrent liabilities              | <u>1,496,700</u> |
| Total liabilities                         | <u>2,685,826</u> |

**DEFERRED INFLOWS OF RESOURCES:**

|  |              |
|--|--------------|
| Other postemployment benefit deferrals | <u>8,691</u> |
| Total deferred inflows of resources    | <u>8,691</u> |

**NET POSITION:**

|  |                     |
|--|---------------------|
| Investment in capital assets, net of lease liabilities | 124,028             |
| Unrestricted   | <u>1,214,360</u>    |
| Total net position                                     | <u>\$ 1,338,388</u> |

See Notes to Financial Statements



**STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2024**

Operating revenues:

|   |                  |
|---|------------------|
| License and renewal fees                        | \$ 1,783,477     |
| Examination and application fees                | 246,360          |
| Late fees and other license administration fees | 60,415           |
| Civil penalties and miscellaneous fees          | 47,685           |
| Total operating revenues                        | <u>2,137,937</u> |

Operating expenses:

|  |                  |
|--|------------------|
| Salaries and benefits                    | 812,444          |
| Retirement contributions                 | 46,113           |
| Other postemployment benefits            | 50,641           |
| Telecommunications                       | 18,553           |
| Insurance                                | 159,829          |
| Office and administrative expenses       | 35,472           |
| Utilities and cleaning                   | 10,567           |
| Equipment leasing and maintenance        | 64,276           |
| Professional services                    | 275,698          |
| Board member expense                     | 40,401           |
| Staff expense                            | 66,671           |
| Dues and publications                    | 1,093            |
| Exam expense                             | 119,090          |
| Credit card transaction fees             | 52,654           |
| Civil penalties remitted                 | 30,111           |
| Interest expense, leases                 | 27,873           |
| Other expenses                           | 3,178            |
| Amortization, right to use leased assets | 107,912          |
| Depreciation                             | 22,313           |
| Total operating expenses                 | <u>1,944,889</u> |

|                  |                |
|------------------|----------------|
| Operating income | <u>193,048</u> |
|------------------|----------------|

Non-operating revenues:

|                              |                |
|------------------------------|----------------|
| Investment income, net       | 109,556        |
| Total non-operating revenues | <u>109,556</u> |

|                         |                |
|-------------------------|----------------|
| Changes in net position | <u>302,604</u> |
|-------------------------|----------------|

|   |           |
|---|-----------|
| Net position - beginning of year - as originally reported | 1,199,984 |
|---|-----------|

|                                       |                  |
|---------------------------------------|------------------|
| Restatement of beginning net position | <u>(164,200)</u> |
|---------------------------------------|------------------|

|  |           |
|--|-----------|
| Net position - beginning of year - as restated | 1,035,784 |
|--|-----------|

|                            |                     |
|----------------------------|---------------------|
| Net position - end of year | <u>\$ 1,338,388</u> |
|----------------------------|---------------------|

**STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS****Statement of Cash Flows****Year Ended June 30, 2024**

## Cash flows from operating activities:

|   |                |
|---|----------------|
| Cash received from fees                           | \$ 2,216,898   |
| Cash payments to employees for services           | (872,321)      |
| Cash payments for suppliers of goods and services | (628,251)      |
| Cash payments for interest on leased assets       | (27,817)       |
| Cash payments for other operating expenses        | (233,519)      |
| Net cash provided by operating activities         | <u>454,990</u> |

## Cash flows from investing activities:

|   |                  |
|---|------------------|
| Purchase of certificates of deposit       | (1,665,595)      |
| Maturity of certificates of deposit       | 1,121,872        |
| Investment income, net                    | 70,441           |
| Net cash provided by investing activities | <u>(473,282)</u> |

## Cash flows from capital and related financing activities:

|   |                  |
|---|------------------|
| Acquisition of capital assets   | (133,423)        |
| Payments on lease liabilities   | (91,250)         |
| Net cash provided by (used in) capital and related financing activities | <u>(224,673)</u> |

## Increase in cash

(242,965)

## Cash - beginning of year

2,017,062

## Cash - end of year

\$ 1,774,097

## Reconciliation of operating income to net cash

## provided by operating activities:

|   |                   |
|---|-------------------|
| Operating income  | \$ 193,048        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                   |
| Amortization, leased assets   | 107,912           |
| Depreciation  | 22,313            |
| Changes in assets and liabilities:  |                   |
| Prepaid expenses  | 17,683            |
| Accounts payable  | (1,860)           |
| Accrued payroll and benefit expenses  | 7,256             |
| Interest payable  | 56                |
| Accrued vacation  | (6,076)           |
| Unearned revenue  | 78,961            |
| Other postemployment benefit liability  | 27,006            |
| Deferred inflows of resources   | 8,691             |
| Total adjustments   | <u>261,942</u>    |
| Net cash provided by operating activities   | <u>\$ 454,990</u> |

See Notes to Financial Statements



# STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS

## Notes to Financial Statements

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### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Description of Organization

The NC State Board of Examiners of Electrical Contractors (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 87 of the North Carolina General Statutes. The Board is responsible for the licensing of persons engaging in electrical contracting within North Carolina. The Board's operations are funded primarily through license fees, license examination fees and other income.

#### 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 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.

#### Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with GAAP as prescribed by the 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 recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Board classifies its revenues and expenses 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 license renewal and examination fees. Operating expenses are all expense transactions other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investment activities.



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

### Changes in Financial Accounting and Reporting

During the year ended June 30, 2024, the Board adopted GASB Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* (GASB 100). This Statement identifies accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes various transactions or events included in these changes. GASB 100 established accounting and financial reporting requirements for each type of accounting change and correction of an error in previously issued financial statements (error correction). The new guidance retains the same categories under GASB 62, but it further clarifies the transactions and other events that compose those categories and the distinctions between the categories.

During the year ended June 30, 2024, the Board transitioned to the actuarial method for the valuation of the other postemployments benefit liability, resulting in a restatement of beginning net position, as discussed in Note 12 to the financial statements.

### 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.

### Investments

This classification includes non-negotiable certificates of deposit and investments in brokered certificates of deposit with original maturities of more than three months. Certificates of deposit maturing within one year are shown as current. Non-negotiable certificates of deposit are reported at cost plus accrued interest to date. Investments in brokered certificates of deposit are reported at fair market value.

### Right-To-Use Leased Asset and Lease Liabilities

Leases that provide the Board the right to use an asset for a period of more than one year are considered a capital asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the Board's financial obligation to make lease payments during the term of the lease and is measured at the present value of future lease payments.

### Property and Equipment

Property and equipment of \$300 or more with an expected useful life greater than two years are considered capital assets. Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the following useful lives:

|                         |              |
|-------------------------|--------------|
| Furniture and equipment | 5 - 10 years |
| Computer equipment      | 3 - 4 years  |
| Vehicles                | 4 - 5 years  |

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.



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

### **Unearned Revenues**

Licenses are renewed for a period of one year. License applications, renewal fees, and exam fees received in advance are deferred and recognized as revenue in the period to which they relate.

### **Accrued Vacation**

The Board's vacation leave policy allows employees to accumulate earned vacation leave, with such leave fully vested as it is earned. Employees may accumulate up to 240 hours, and any accrued vacation leave beyond this limit at the end of each calendar year is transferred and added to their sick leave balances. Upon termination, employees are eligible to receive payment for no more than 240 hours of vacation leave. Since vacation leave is payable upon termination, a liability is recorded for the outstanding balances. In contrast, the Board has no obligation for accumulated sick leave until it is actually taken, so no accrual is made for sick leave.

### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This 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. As of June-30, 2024, the Board has no items that meet the criterion for this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This 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 revenue until then. The Board has the following items that meet the criterion for this category: Other postemployment benefit deferrals which includes differences between expected and actual experience and changes in assumptions, as described in Note 8.

### **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. Capital assets include property and equipment, net of accumulated depreciation; right-to-use leased assets, net of accumulated amortization and related lease liabilities.

*Unrestricted* - This represents assets with no external restriction 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. The Board has designated \$414,141 of unrestricted net assets for future retiree health insurance and \$257,565 for future property and equipment costs. The Board may change such reserved amounts based on perceived operating conditions and situations.

### **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.



## NOTE 2 - DEPOSITS AND INVESTMENTS

The Board's deposits include cash on deposit in financial institutions, money market accounts, and certificates of deposit.

*Custodial Credit Risk:* 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. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2024, the Board had cash deposits that exceeded the FDIC limits by \$1,589,347.

*Interest rate risk:* Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. The Board manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

*Credit risk:* Credit risk is the risk an issuer or other counter party to an investment will not fulfill its obligation. The Board manages credit risk by diversifying its investment portfolio. Investments are limited to certificates of deposit.

The following table presents the carrying value of investments by type and investments subject to interest rate risk and credit risk at June 30, 2024:

| <u>Investment Type</u>                   | <u>Carrying Value</u> | <u>Properties of Debt Securities</u> |                                    |
|--|-----------------------|--------------------------------------|------------------------------------|
|  |                       | <u>Credit Rating</u>                 | <u>Weighted Average Maturities</u> |
| Certificates of deposit, non-negotiable: |                       |                                      |                                    |
|  | \$ 215,284            | AA1                                  | 11.83                              |
|  | 112,141               | A1                                   | 1.53                               |
|  | 106,404               | Baa1                                 | 6.60                               |
|  | 246,482               | Baa3                                 | 0.63                               |
|  | 467,036               | N/A                                  | 2.48                               |
| Certificates of deposit, brokered        | 114,112               | N/A                                  | 8.77                               |
|  | <u>\$ 1,261,459</u>   |                                      |                                    |

## NOTE 3 - FAIR VALUE INVESTMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.



### NOTE 3 - FAIR VALUE INVESTMENTS (Continued)

The following tables set forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2024:

|                         | Total<br>Fair Value | Level 1     | Level 2           | Level 3     |
|-------------------------|---------------------|-------------|-------------------|-------------|
| Certificates of deposit | <u>\$ 114,112</u>   | <u>\$ -</u> | <u>\$ 114,112</u> | <u>\$ -</u> |

The investment balance on the Statement of Net Position includes non-negotiable certificates of deposit totaling \$1,147,347 as of June 30, 2024, recorded at cost plus accrued interest. These are not included in the fair value hierarchy above.

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following:

|   | Cost<br>6/30/2023 | Additions         | Disposals           | Cost<br>6/30/2024 | Accum.<br>Depreciation | Net<br>Amount     |
|---|-------------------|-------------------|---------------------|-------------------|------------------------|-------------------|
| Vehicles                                | 129,595           | 36,110            | (51,237)            | 114,468           | (73,736)               | 40,732            |
| Equipment,<br>furniture and<br>software | 260,881           | 97,313            | (208,017)           | 150,177           | (55,882)               | 94,295            |
|   | <u>\$ 390,476</u> | <u>\$ 133,423</u> | <u>\$ (259,254)</u> | <u>\$ 264,645</u> | <u>\$ (129,618)</u>    | <u>\$ 135,027</u> |

### NOTE 5 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

The Board has a lease providing the right-to-use office space beginning July 1, 2023. The lease has a term of five years with monthly payments starting at \$8,269, escalating 3% annually. The lease has a renewal option of an additional five years with monthly payments starting at \$8,313, escalating 3% annually. The Board is reasonably certain it will exercise the renewal option.

The prior office lease had a five year term, which ended on August 30, 2023. The lease payments escalated 3% annually and were \$5,676 at the end of the lease.

The Board has a copier lease beginning October 2021 with a 63 month term and monthly payments of \$389.

The Board has a postage meter lease beginning July 2023 with a 60 month term and monthly payments of \$190. The prior postage meter lease expired in July 2023.

For the year ended June 30, 2024, lease expense was comprised of the following:

|   |                   |
|---|-------------------|
| Amortization expense by class of underlying asset |                   |
| Office space                                      | \$ 101,485        |
| Office equipment                                  | 6,427             |
|   | <u>107,912</u>    |
| Interest on lease liabilities                     | 27,873            |
| Total lease expense                               | <u>\$ 135,785</u> |

# NOTE 5 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

Right-to-use leased assets activity:

|                                | 6/30/2023        | Additions         | Subtractions | 6/30/2024         |
|--------------------------------|------------------|-------------------|--------------|-------------------|
| Office space                   | \$ 205,924       | \$ 906,104        | \$ (205,924) | \$ 906,104        |
| Office equipment               | 23,281           | 10,143            | -            | 33,424            |
| Less: accumulated amortization | (202,846)        | (107,912)         | 205,924      | (104,834)         |
| Right-to-use assets, net       | <u>\$ 26,359</u> | <u>\$ 808,335</u> | <u>\$ -</u>  | <u>\$ 834,694</u> |

Lease liabilities were comprised of the following:

|                         | 6/30/2023        | Additions         | Subtractions       | 6/30/2024         |
|-------------------------|------------------|-------------------|--------------------|-------------------|
| Total lease liabilities | <u>\$ 20,696</u> | <u>\$ 916,247</u> | <u>\$ (91,250)</u> | <u>\$ 845,693</u> |

Future lease payments are comprised of the following:

| Years ending June 30: | Principal         | Interest          | Total Payments    |
|-----------------------|-------------------|-------------------|-------------------|
| 2025                  | \$ 77,269         | \$ 23,368         | \$ 100,637        |
| 2026                  | 89,393            | 22,837            | 112,230           |
| 2027                  | 93,082            | 19,959            | 113,041           |
| 2028                  | 96,958            | 16,999            | 113,957           |
| 2029                  | 85,633            | 14,117            | 99,750            |
| Thereafter            | 403,358           | 26,860            | 430,218           |
|                       | <u>\$ 845,693</u> | <u>\$ 124,140</u> | <u>\$ 969,833</u> |

## NOTE 6 - ACCRUED VACATION

Accrued vacation consisted of the following at June 30, 2024:

|                            | 2024             |
|----------------------------|------------------|
| Beginning accrued vacation | \$ 74,008        |
| Vacation earned            | 53,219           |
| Vacation used              | (59,295)         |
| Ending accrued vacation    | <u>\$ 67,932</u> |



## NOTE 7 - PENSION PLAN

### Defined Contribution Plan

The Board participates in the North Carolina Licensing Board Retirement Savings Plan (Plan), which is a defined contribution plan created under Internal Revenue Code Section 401(k) for eligible employees. The Employer, defined as the eight participating licensing boards, is empowered to appoint and remove the Trustee and Administrator. The Plan is administered by Empower. Employees are eligible to participate in the Plan immediately upon employment. For each year of service, employer contributions and the applicable earnings vest 20% per year. A 6% contribution, based on eligible employee compensation, is made monthly by both the Board and the employee to the individual employee accounts. Employees are permitted to make additional voluntary contributions to the Plan up to the applicable Internal Revenue Code limits. Employee contributions and the applicable earnings on those contributions vest immediately. Nonvested Board contributions and the applicable earnings are forfeited upon termination from employment to the applicable participating occupational licensing board. Administrative expenses are paid by the participating occupational licensing boards in accordance with the boards' percentage of plan assets.

Board pension costs including administrative fees, totaled \$46,113 for the year ended June 30, 2024. Employee contributions totaled \$43,210 for the year ended June 30, 2024. Forfeitures are used to reduce employer contributions. For the year ended June 30, 2024, employer contributions were reduced by \$0, by forfeited nonvested accounts. The forfeiture amount as of June 30, 2024, was \$0, which will be used during the 2025 fiscal year.

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS

The Board has a defined benefit healthcare plan in place for retirees who meet certain conditions, which is considered another post-employment benefit plan ("OPEB"). The Plan is accounted for under the provisions of Governmental Accounting Standards Board (GASB) Statement No.75 (GASB75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### Plan Description:

The plan is a self-administered, single-employer plan, and no assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. Significant terms of the Plan are as follows:

**Eligibility:** Employees who attain age 60 with at least 10 years of service with the Board, or attain 30 years of service at any age are eligible for health benefits in retirement.

**Benefits Provided:** Eligible retirees receive medical and prescription drug coverage for their lifetime. This coverage is provided through individual health policies that are procured by the retiree. The Board will reimburse the retiree a percentage of the premium based on age and service at retirement as shown in the table below.

| Age | Board Service | Percent of Premium Paid by Board |
|-----|---------------|----------------------------------|
| 60  | 10-20         | 50%                              |
| 60  | 20 or more    | 100%                             |
| any | 30 or more    | 100%                             |



## NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

### Plan Description (Continued):

*Coverage:* Upon retirement, eligible retirees procure their own individual health insurance policies. Upon Medicare eligibility, a Medicare supplemental policy is procured by the retiree. Eligible retirees may elect to cover their family members. The retiree is responsible for paying the full cost for any covered spouse and/or dependent(s).

At June 30, 2024, the following number of employees were covered by the plan:

|  |       |
|--|-------|
| Active employees                       | 8     |
| Retired participants and beneficiaries | 6     |
|  | <hr/> |
|  | 14    |

### Other Postemployment Benefits Liability

At June 30, 2024, the Board reported a total OPEB liability of \$660,327. The OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024. 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 discount rate was changed from 3.86% to 3.97% which resulted in an inflow of resources.

*Actuarial Assumptions:* Key actuarial assumptions and methods that were used for the June 30, 2024 actuarial valuation are set forth below.

*Discount Rate:* 3.97%. Pursuant to GASB 75, for unfunded plans the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Fidelity GO AA Bond index is often cited as an appropriate benchmark. The 20-year bond rate from that index was 3.97% on June 30, 2024.

*Payroll Growth Assumption:* 3.25%. This assumption is from the North Carolina Local Governmental Employees' Retirement System (NCLGERS) experience study for the five year period January 1, 2015 through December 31, 2019.

*Inflation Rate:* 2.50%. This assumption is from the North Carolina Local Governmental Employees' Retirement System (NCLGERS) experience study for the five year period January 1, 2015 through December 31, 2019.

*Disability:* None assumed.

*Retirement Rates:* All participants are assumed to retire upon attainment of age 65 with at least 10 years of service.

*Mortality Rates:* For pre-retirement, the Pub-2010 General Employees Male and Female Mortality tables projected generationally with MP-2019 are used. For post retirement, the Pub-2010 General Retirees Mortality tables projected generationally with MP-2019 are used. The male rates are set forward 2 years and adjusted with the following factors: 80 and younger, 96.0%; age 81, 96.8%; age 82, 97.6%; age 83, 98.4%; age 84, 99.2%; age 85 and older, 100.0%. The female rates are adjusted with the following factors: 91 and younger, 100.0%; age 92, 102.5%; age 93, 105.0%; age 94, 107.5%; age 95 and older, 110.0%. This assumption is from the North Carolina Local Governmental Employees' Retirement System (NCLGERS) experience study for the five year period January 1, 2015 through December 31, 2019.



NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

**Other Postemployment Benefits Liability (Continued)**

Sample mortality rates shown below are the base rates with the multipliers applied.

| Age | Pre-Retirement |         | Post-Retirement |         |
|-----|----------------|---------|-----------------|---------|
|     | Male           | Female  | Male            | Female  |
| 25  | 0.0280%        | 0.0090% |                 |         |
| 30  | 0.0360%        | 0.0150% |                 |         |
| 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%         | 0.3840% |
| 65  | 0.4680%        | 0.2960% | 1.0637%         | 0.6130% |
| 70  | 0.7030%        | 0.4890% | 1.8278%         | 1.0630% |
| 75  | 1.0960%        | 0.8080% | 3.2266%         | 1.8830% |
| 80  | 1.7300%        | 1.3300% | 5.8099%         | 3.3600% |

Per Capita Claims Costs: Upon retirement, all retirees are responsible for procuring individual health insurance policies. The Board will reimburse the retiree either 50% or 100% of the premium based on the retiree's age and service at retirement (see the Summary of Plan Provisions on page 15 herein). For current retirees, actual premiums are valued. Upon attaining Medicare eligibility, the assumed cost of coverage for future retirees and any current retirees under age 65 is based on the current cost of a Blue Cross Blue Shield Medicare Supplement Plan G and Part D coverage. The assumed Part D premium is the average of the Part D premiums for current retirees. The assumed annual Plan G and Part D costs are shown below.

| Age    | Male     | Female   |
|--------|----------|----------|
| 65     | \$ 1,593 | \$ 1,395 |
| 68     | 1,788    | 1,563    |
| 71     | 2,235    | 1,959    |
| 74     | 2,814    | 2,466    |
| 77     | 3,390    | 2,970    |
| 80+    | 3,969    | 3,477    |
| Part D | \$ 373   | \$ 373   |

Termination Rates: None assumed.

Participation Rates: 100% of eligible retirees are assumed to elect coverage upon retirement. 0% of retirees who elect coverage upon retirement are assumed to cover their spouse.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

**Other Postemployment Benefits Liability (Continued)**

Medical Trend: The table below shows the assumed annual trend for medical and prescription drug costs. The trend is assumed to occur on July 1st of the year shown in the table.

| Year    | Pre 65 | Post 65 |
|---------|--------|---------|
| 2025    | 7.00%  | 5.50%   |
| 2026    | 6.50%  | 5.50%   |
| 2027    | 6.00%  | 5.50%   |
| 2028    | 5.50%  | 5.50%   |
| 2029    | 5.25%  | 5.25%   |
| 2030    | 5.00%  | 5.00%   |
| 2031    | 4.75%  | 4.75%   |
| >= 2032 | 4.50%  | 4.50%   |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability, calculated using the current discount rate, as well as what the total 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<br>(2.97%) | Current Discount<br>Rate<br>(3.97%) | 1% Increase<br>(4.97%) |
|------------------------|-------------------------------------|------------------------|
| \$ 765,698             | \$ 660,327                          | \$ 575,888             |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

| 1% Decrease | Current Discount<br>Rate | 1% Increase |
|-------------|--------------------------|-------------|
| \$ 613,552  | \$ 660,327               | \$ 836,119  |

**Other Post Employment Benefit Expense**

For the year ended June 30, 2024, OPEB expense is as follows:

|   |                  |
|---|------------------|
| Service cost  | 28,257           |
| Interest on the total OPEB liability                      | 24,158           |
| Expensed portion of current-period changes in assumptions | (1,774)          |
| OPEB expense  | <u>\$ 50,641</u> |

The OPEB expense for the year ended June 30, 2024 was derived from the initial actuarial valuation which was performed on June 30, 2024.



NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

**Deferred Inflows of Resources Related to OPEB**

At June 30, 2024, the Board reported deferred inflows of resources related to OPEBs from the following sources:

|   | Deferred<br>Inflows of<br>Resources |
|---|-------------------------------------|
| Difference between expected and actual experience | \$ -                                |
| Changes of assumptions                            | (8,691)                             |
|   | <u>\$ (8,691)</u>                   |

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

| Years ending June 30: | Deferred<br>Inflows of<br>Resources |
|-----------------------|-------------------------------------|
| 2025                  | \$ (1,774)                          |
| 2026                  | (1,774)                             |
| 2027                  | (1,774)                             |
| 2028                  | (1,774)                             |
| 2029                  | (1,595)                             |
| Thereafter            | -                                   |
|                       | <u>\$ (8,691)</u>                   |

NOTE 9 - AMOUNT DUE ENGINEERING FOUNDATION

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.

For June 30, 2024 the amount due to the Engineering Foundation, Inc. is calculated as follows:

|   |                   |
|---|-------------------|
| Change in net position                  | <u>\$ 302,604</u> |
| Less:                                   |                   |
| Gross receipts                          | 2,137,937         |
| Percent to retain                       | <u>20%</u>        |
|   | <u>427,587</u>    |
| Amount due Engineering Foundation, Inc. | <u>\$ -</u>       |

#### NOTE 10 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members 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 building and contents, commercial liability, directors' and officers' liability, workers' compensation and employers' liability.

#### NOTE 11 - CONTINGENT LIABILITIES

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, the results of such actions during the years under audit do not materially affect the financial position of the Board at year-end.

#### NOTE 12 - RESTATEMENT

During the year ended June 30, 2024, the Board transitioned to the actuarial method of valuation for estimating the OPEB liability. This method provides more precise estimates based on detailed actuarial calculations compared to the previously used alternative method. As a result of this change in accounting principle, the Board restated its unrestricted net position as of July 1, 2023. The impact of this restatement includes an increase in the unrestricted net position of \$222,543 and a reduction in OPEB deferrals of (\$58,343).

The Board has made adjustments as of July 1, 2023, to correct misstatements related to prepaid expenses totaling \$5,845, right-to-use leased assets totaling (\$14,295), and lease liabilities totaling \$8,450. These adjustments clarify prior misstatements but do not result in a restatement of the unrestricted net position, as they have no effect on the beginning net position.

The following table outlines the impact to unrestricted net position as of July 1, 2023:

|   | As Previously<br>Reported | As<br>Restated | Effect of<br>Change |
|---|---------------------------|----------------|---------------------|
| Unrestricted net position - beginning of year | \$ 1,199,984              | \$ 1,035,784   | \$ (164,200)        |

#### NOTE 13 - SUBSEQUENT EVENTS

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

The audit was conducted in approximately 85 hours at a cost of \$20,000.



**STATE BOARD OF EXAMINERS OF ELECTRICAL CONTRACTORS**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Year Ended June 30, 2024**

|  | <u>2024</u>              |
|--|--------------------------|
| <b>Total OPEB liability</b>  |                          |
| Service cost   | \$ 28,257                |
| Interest   | 24,158                   |
| Difference in expected and actual experience                         | -                        |
| Changes in assumptions   | (10,465)                 |
| Changes of benefit terms   | -                        |
| Benefit payments   | (14,944)                 |
| Other  | -                        |
| Net change in total OPEB liability                                   | <u>27,006</u>            |
| Total OPEB - beginning   | <u>633,321</u>           |
| Total OPEB - ending  | <u><u>\$ 660,327</u></u> |
| <br>Covered-employee payroll   | <br>\$ 655,570           |
| <br>Total OPEB liability as a percentage of covered-employee payroll | <br>100.73%              |

*\*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.*

October 3, 2024

Management and the Board of Directors  
State Board of Examiners of Electrical Contractors  
505 N. Greenfield Parkway, Suite 100  
Garner, NC 27529

In planning and performing our audit of the basis financial statements of the State Board of Examiners of Electrical Contractors (the "Board") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the Board's internal control to be material weaknesses:

#### **Timely Deposits**

During our audit, we noted that checks received were not deposited in a timely manner. We recommend that all checks be deposited on a daily basis to strengthen internal controls over cash receipts. We understand this has been addressed and checks are being deposited daily going forward.



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. We consider the following deficiencies in the Board's internal control to be significant deficiencies:

#### **Segregation of Duties**

During the audit, it was noted the Executive Director's credit card charges and time sheets were not reviewed by another individual. Additionally, payroll is submitted by the Office Manager but is not reviewed by another individual. To ensure proper segregation of duties, we recommend that a board member review the Executive Director's credit card charges and timesheets, and that the Executive Director review payroll registers. We understand that these processes are being implemented going forward.

During our audit, we also became aware of certain matters that present opportunities for strengthening internal control and operating efficiency.

#### **Funding for OPEB Liability**

The Board currently designates funds for the Retiree Health Plan (OPEB liability). We recommend that the Board evaluate the potential benefits of establishing a trust for these funds to enhance the long-term management of this liability.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

*Gidewell CAA, PLLC*

Cary, North Carolina  
October 3, 2024

## MANAGEMENT REPRESENTATION LETTER

October 3, 2024

To Glidewell CPA, PLLC  
1144 Executive Circle, Suite 216  
Cary, NC 27511

This representation letter is provided in connection with your audit of the financial statements of the State Board of Examiners of Electrical Contractors (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 3, 2024:

### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 30, 2024, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of the system 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.
- We acknowledge our responsibility for compliance with laws and regulations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of the applicable financial reporting framework.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

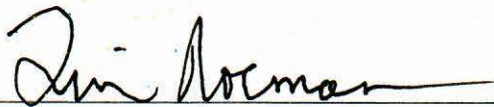


- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have included in the financial statements all assets and liabilities under the Board's control.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All components of net position are properly classified and, if applicable, approved.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to the preparation of the Board's financial statements based on our working trial balance and information provided by us, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained controls, including a process to monitor the system of internal control.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the Board and others from whom you determined it necessary to obtain audit evidence;
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our evaluation of the Board's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.

- We have no knowledge of any fraud or suspected fraud that affects the Board and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Board's financial statements communicated by employees, former employees, analysts, regulators, or others.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Board has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Board is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of all the Board's related parties and the nature of all the related party relationships and transactions of which we are aware.
- We have provided you all minutes of the meetings of the board, or those charged with governance, or summaries of actions of recent meetings for which minutes have not yet been prepared.



Tim Norman, Executive Director





**YOUNG MOORE**  
**ATTORNEYS**

Reed N. Fountain  
Attorney and Certified Mediator

Email: [rnf@ymh.com](mailto:rnf@ymh.com)  
Direct Dial 919-861-5122

October 1, 2024

Glidewell CPA, PLLC ([patricia@glidewellcpa.com](mailto:patricia@glidewellcpa.com))  
1144 Executive Circle, Suite 216  
Cary, NC 27511

Re: North Carolina State Board of Examiners of Electrical Contractors

To Whom It May Concern:

Pursuant to your letter dated September 23, 2024, Tim Norman, Executive Director of the North Carolina State Board of Examiners of Electrical Contractors, requested us to furnish you certain information in connection with your examination of the North Carolina State Board of Examiners of Electrical Contractors (hereinafter referred to as the "Company") as of June 30, 2024, and for the year then ended.

While this firm has on occasion represented the Company in connection with specific legal matters, our engagement has been limited to those specific matters as to which we have been consulted by the Company.

The Company has advised us that, by making the request set forth in its letter to us, the Company does not intend to waive the attorney/client privilege with respect to any information which the Company has furnished to us. Moreover, please be advised that our response to you should not be construed in any way to constitute a waiver of the protection of the attorney work product privilege with respect to any of our files involving the Company.

Subject to the foregoing and to the last paragraph of this letter, we advise you that we have not been engaged to give substantive attention to, or represent the Company in connection with, material loss contingencies within the scope of clause (a) of Paragraph 5 of the Statement of Policy referenced in the last paragraph of this letter, except as follows:

At any time during the year and as of June 30, 2024, the firm was involved in approximately fifty (50) cases, some of which were scheduled for hearing before the Board in connection with discipline of persons holding license from the Board or seeking to obtain license. Others were proceedings in Superior Court, the purpose of which was to enjoin violations of the licensing requirements by persons who do not possess license or to find in contempt of Court persons who have violated previous Court Orders. In our opinion, none of these proceedings are likely to have financial consequences, either positive or negative, which

October 1, 2024

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are material individually or in the aggregate. As a consequence, such proceedings are not discussed in detail here and are not perceived to be material within the meaning of your request.

The Company has not specifically identified any unasserted claims and assessments nor has the Company specifically requested us to supplement or comment on any unasserted claims and assessments of which they are aware. We have made no review of the Company's transactions for the purpose of identifying loss contingencies or unasserted claims and assessments.

Our records indicate that, as of June 30, 2024, there was \$22,778.77 in billed fees and expenses due, and unbilled fees and expenses in the amount of \$15,385.39.

The information set forth herein is as of September 24, 2024, the date on which we commenced our internal review procedures for the purpose of preparing this response, and we disclaim any undertaking to advise you of changes which thereafter have been or hereafter may be brought to our attention.

This response is limited by, and in accordance with, the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December, 1975); without limiting the generality of the foregoing, the limitations set forth in such Statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference, and any description herein of any "loss contingencies" is qualified in its entirety by Paragraph 5 of the Statement and the accompanying Commentary (which is an integral part of the Statement). Consistent with the last sentence of Paragraph 6 of the ABA Statement of Policy and pursuant to the Company's request, we confirm that whenever, in the course of performing legal services for the Company with respect to a matter recognized by us to involve an unasserted possible claim or assessment calling for financial statement disclosure, we have formed a professional conclusion that the Company may disclose or consider disclosure concerning such possible claim or assessment, we, as a matter of professional responsibility to the Company, will so advise the Company and will consult with the Company to the extent it requests us to do so concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5.

Sincerely yours,

YOUNG MOORE AND HENDERSON P.A.

By:

  
Reed N. Fountain

RNF/emo

cc: Tim Norman, [tim.norman@ncbeec.org](mailto:tim.norman@ncbeec.org)

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