

**NORTH CAROLINA BOARD
OF BARBER AND ELECTROLYSIS EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1 - 3
Independent Auditor's Report	4 - 6
<i>Financial Statements</i>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 29
<i>Supplementary Information</i>	
Proportionate Share of Net Pension Liability and Schedule of Board Contributions Teachers' and State Employees' Retirement System	30
Proportionate Share of Net OPEB Liability and Schedule of Board Contributions Retiree Health Benefit Fund and Disability Income Plan of North Carolina	31
Schedule of Changes in the Total OPEB Liability and Related Ratios	32

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2024

The following is a discussion and analysis of the North Carolina Board of Barber and Electrolysis Examiners' (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 two years are presented in the analysis.

Financial Highlights

The operating revenues of the Board increased by \$71,038 or 9.43%, primarily due to increases in registered, apprentice certificates and shop permits.

The operating expenses of the Board increased by \$64,652 or 9.06%, primarily due to increases in OPED-related pension expense, salaries and wages and computer services, partially offset by decreases in exam fees, and legal expenses.

The unrestricted net position (deficit) at June 30, 2024 and 2023 reflects the reporting requirements under GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which was effective for fiscal years beginning after June 15, 2017. The Board participates in two Other Postemployment Benefit ("OPEB") plans administered by the State of North Carolina: the Retiree Health Benefit Fund ("RHBF") and the Disability Income Plan of North Carolina ("DIPNC"). The reporting requirement reflects the liability recognized for the Board's proportionate share of the collective net OPEB liability, which was \$248,034 as of June 30, 2024, and \$338,363 as of June 30, 2023. See Footnote 6 to the financial statements for further discussion.

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).

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS**Management's Discussion and Analysis****For The Fiscal Year Ended June 30, 2024**

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.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 1,023,577	\$ 1,032,082	\$ 952,799
Noncurrent assets	-	-	234
Capital assets - net of depreciation	<u>61,881</u>	<u>94,890</u>	<u>128,443</u>
Total assets	<u>1,085,458</u>	<u>1,126,972</u>	<u>1,081,476</u>
Deferred outflows of resources	<u>268,336</u>	<u>303,381</u>	<u>167,750</u>
Current liabilities	<u>420,081</u>	<u>459,071</u>	<u>424,801</u>
Noncurrent liabilities	<u>511,383</u>	<u>659,501</u>	<u>544,766</u>
Total liabilities	<u>931,464</u>	<u>1,118,572</u>	<u>969,567</u>
Deferred inflows of resources	<u>223,659</u>	<u>196,943</u>	<u>289,586</u>
Net position:			
Investment in capital assets	29,545	38,407	49,317
Unrestricted	<u>169,126</u>	<u>76,431</u>	<u>(59,244)</u>
Total net position (deficit)	<u>\$ 198,671</u>	<u>\$ 114,838</u>	<u>\$ (9,927)</u>
Operating revenues	\$ 824,591	\$ 753,553	\$ 806,560
Operating expenses	<u>778,459</u>	<u>713,807</u>	<u>649,443</u>
Operating income	<u>46,132</u>	<u>39,746</u>	<u>157,117</u>
Non-operating revenues	<u>37,701</u>	<u>15,180</u>	<u>1,290</u>
Changes in net position	<u>\$ 83,833</u>	<u>\$ 54,926</u>	<u>\$ 158,407</u>

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2024

Events Affecting Future Operations

The Board's long-term financial outlook has improved substantially, following spending cuts made in fiscal year 2016. These cuts have had a negative impact on operations, which the Board is addressing by increasing its online transactions and requesting authorization from the General Assembly to increase fees. The Board believes modest fee increases, perhaps based on the Consumer Price Index, would allow it to continue building on its financial health while improving efficiency and operations.

The General Assembly passed legislation (Session Law 2022-72) that moved the Board of Electrolysis Examiners under the Board of Barber Examiners, forming a newly merged board. The merger, which was effective January 1, 2023, has affected operations by increasing the number of licensed programs the Board administers. However, the Board does not anticipate any negative long-term financial impact from the merger because the Board of Electrolysis Examiners had an existing revenue stream and fund balance.

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 Board of Barber and Electrolysis Examiners, 7001 Mail Service Center, Raleigh, NC 27699-7000.



Independent Auditor's Report

Members of the Board
North Carolina Board of Barber and Electrolysis Examiners
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Board of Barber and Electrolysis Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2024 and 2023, 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 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Emphasis of Matter

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 and 2023, or the changes in its financial position and its cash flows for the years then ended in conformity 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 - 3, the Schedules of Proportionate Share of Net Pension Liability and Board Contributions - Teachers' and State Employees' Retirement System on page 30; Proportionate Share of Net OPEB Liability and Schedule of Board Contributions - Retiree Health Benefit Fund and Disability Income Plan of North Carolina on page 31; and Schedule of Changes in the Total OPEB Liability and Related Ratios on page 32; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 21, 2024

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash - State Treasurer	\$ 1,006,155	\$ 1,005,303
Accounts receivable, net	10,726	19,501
Prepaid expenses	6,696	7,278
Total current assets	<u>1,023,577</u>	<u>1,032,082</u>
Capital assets:		
Right to use leased assets, net of amortization	28,928	52,071
Property and equipment, net of depreciation	32,953	42,819
Total capital assets - net	<u>61,881</u>	<u>94,890</u>
Total assets	<u>1,085,458</u>	<u>1,126,972</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension deferrals	98,510	123,603
Contributions to pension plan in current fiscal year	60,406	54,120
Other postemployment benefit deferrals	109,420	125,658
Total deferred outflows of resources	<u>268,336</u>	<u>303,381</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	36,165	53,661
Lease liabilities, current portion	25,724	24,147
Unearned revenue	358,192	381,263
Total current liabilities	<u>420,081</u>	<u>459,071</u>
Noncurrent liabilities:		
Accrued vacation	35,000	35,000
Lease liabilities, net of current portion	6,612	32,336
Net other postemployment benefit liability	248,034	338,363
Net pension liability	221,737	253,802
Total noncurrent liabilities	<u>511,383</u>	<u>659,501</u>
Total liabilities	<u>931,464</u>	<u>1,118,572</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension deferrals	16,717	4,641
Other postemployment benefit deferrals	206,942	192,302
Total deferred inflows of resources	<u>223,659</u>	<u>196,943</u>
NET POSITION:		
Investment in capital assets, net of lease liabilities	29,545	38,407
Unrestricted	169,126	76,431
Total net position	<u>\$ 198,671</u>	<u>\$ 114,838</u>

See Notes to Financial Statements

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS**Statements of Revenues, Expenses and Changes in Net Position****Years Ended June 30, 2024 and 2023**

	2024	2023
Operating revenues:		
Registered certificates	\$ 297,696	\$ 282,100
Apprentice certificates	46,950	30,850
Instructor certificates	13,430	12,580
Apprentice exam fees	140,976	144,750
Registered exam fees	26,565	21,505
Instructor exam fees	9,900	5,775
Business license fees	513	-
Shop permits	120,990	102,115
Student permits	31,000	27,775
School permits	8,120	5,460
Inspection fees	39,420	30,960
Late fees	84,475	83,735
Fines and penalties	1,698	469
Miscellaneous	2,858	5,479
Total operating revenues	824,591	753,553
Operating expenses:		
Salaries and wages	342,440	314,445
Payroll taxes	24,515	22,329
Pension and other postemployment benefits	25,339	(13,123)
Medical insurance contributions	38,467	34,521
Board members' per diem	2,600	1,100
Travel - board members	317	1,042
Travel - staff	63,440	65,007
Other contracted services	23,592	21,974
Telephone	8,062	7,763
Exam	7,896	22,760
Interest expense on lease liabilities	1,481	2,238
Amortization, right to use leased assets	23,143	23,143
Depreciation	9,866	10,410
Office supplies	2,887	8,593
Printing	4,276	4,256
Postage	9,668	17,517
Insurance and bonding	21,137	22,627
Legal services	24,047	36,964
Accounting and auditing	17,500	14,500
Computer services	99,181	79,499
Civil penalties remitted	440	8,016
Miscellaneous	28,165	8,226
Total operating expenses	778,459	713,807
Operating income	46,132	39,746
Non-operating revenues:		
Interest income	37,701	15,117
Gain on disposal of equipment	-	63
Total non-operating revenues	37,701	15,180
Changes in net position	83,833	54,926
Net position (deficit) - beginning of year	114,838	(9,927)
Transfer of equity from merger	-	69,839
Net position - end of year	\$ 198,671	\$ 114,838

See Notes to Financial Statements

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from fees	\$ 810,877	\$ 807,821
Cash payments to employees for services	(491,394)	(447,330)
Cash payments for suppliers of goods and services	(235,742)	(241,543)
Cash payments for interest on leased assets	(1,481)	(2,238)
Cash payments for other operating expenses	(94,962)	(83,391)
Net cash provided by (used in) operating activities	(12,702)	33,319
Cash flows from investing activities:		
Interest income	37,701	15,117
Net cash provided by investing activities	37,701	15,117
Cash flows from capital and related financing activities:		
Payments on lease liabilities	(24,147)	(22,643)
Cash received from merger	-	69,839
Sale of surplus property	-	63
Net cash provided by (used in) capital and related financing activities	(24,147)	47,259
Increase in cash	852	95,695
Cash - beginning of year	1,005,303	909,608
Cash - end of year	\$ 1,006,155	\$ 1,005,303
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 46,132	\$ 39,746
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization, leased assets	23,143	23,143
Depreciation	9,866	10,410
Changes in assets and liabilities:		
Accounts receivable	8,775	15,972
Net other postemployment benefit asset	-	234
Prepaid expenses	582	440
Deferred outflows of resources	35,045	(135,631)
Accounts payable	(17,496)	(5,090)
Accrued vacation	-	2,800
Unearned revenue	(23,071)	37,856
Net pension liability	(32,065)	177,944
Net other postemployment benefit liability	(90,329)	(41,862)
Deferred inflows of resources	26,716	(92,643)
Total adjustments	(58,834)	(6,427)
Net cash provided by (used in) operating activities	\$ (12,702)	\$ 33,319

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Board of Barber and Electrolysis Examiners (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 86B of the North Carolina General Statutes. The nine Board members are appointed by the Governor of the State of North Carolina. The Board is entitled to the services of the Attorney General of North Carolina.

The Board's function is to regulate the barber, electrolysis, and laser hair industries. The Board's operations are funded primarily through license fees, license examination fees and other income.

Effective January 1, 2023, pursuant to Session Law 2022-72, the North Carolina Board of Electrolysis Examiners merged with the North Carolina Board of Barber Examiners, forming a newly merged board, the North Carolina Board of Barber and Electrolysis Examiners. The merger occurred due to the State's effort to consolidate licensing boards in similar fields. There were no significant changes to accounting policies or procedures as a result of the merger. During the year ended June 30, 2023, the Board of Electrolysis Examiners' ending cash balance of \$69,839 was transferred to the newly merged board. This amount is reported as a transfer of equity in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

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.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

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

Basis of Accounting (Continued)

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.

Changes in Financial Accounting and Reporting

The Board adopted the requirements of Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* (Topic 326). This ASU, along with related ASUs issued subsequently, revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. The Board does not expect Topic 326 to have a significant impact on its financial condition or results of operations.

Cash - State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure, they are considered a cash equivalent.

Accounts Receivable

Accounts receivable consist of civil penalties and legal fees due from administrative proceedings and are shown at book value less an allowance for doubtful accounts which is based on management's review of past due accounts and collection history. The allowance was \$23,100 at June 30, 2024 and 2023.

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.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

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

Property and Equipment

Property and equipment, including software purchases, of \$5,000 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:

Equipment, furniture and software	3 - 10 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.

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 vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

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. The Board has the following items that meet the criterion for this category: Contributions made to the pension plan, disability plan, and the retirement health benefit plan, and deferrals of pension assets and other postemployment benefit assets that resulted from the implementation of GASB Statement No. 68 and GASB Statement No. 75. 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: Deferrals of pension expense and other postemployment benefit expense that resulted from the implementation of GASB Statement No. 68 and GASB Statement No. 75.

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.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS**Notes to Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 - CUSTODIAL CREDIT RISK**Cash - State Treasurer**

Deposits include cash on deposit with the State Treasurer. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following:

	<u>Cost</u> <u>6/30/2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2024</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Equipment/ furniture/ software	<u>\$ 148,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,619</u>	<u>\$ 115,666</u>	<u>\$ 32,953</u>
	<u>Cost</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2023</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Equipment/ furniture/ software	<u>\$ 148,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,619</u>	<u>\$ 105,800</u>	<u>\$ 42,819</u>

NOTE 4 - ACCRUED VACATION

Accrued vacation consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Beginning accrued vacation	<u>\$ 35,000</u>	<u>\$ 32,200</u>
Vacation earned	<u>34,774</u>	<u>34,656</u>
Vacation used	<u>(34,774)</u>	<u>(31,856)</u>
Ending accrued vacation	<u>\$ 35,000</u>	<u>\$ 35,000</u>

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 5 - PENSION PLAN

Plan Administration

The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided

TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service.

Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions

Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate require of plan members.

The Board's contractually-required contribution rate for the year ended June 30, 2024 was 17.63% of covered payroll from July 1, 2023 through June 30, 2024. The Board's contributions to the pension plan were \$60,406 and employee contributions were \$19,657 for the year ended June 30, 2024.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 *Annual Comprehensive Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 5 - PENSION PLAN (Continued)

TSERS Basis of Accounting

The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund participate in the Long-term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The Registers of Deeds' Supplemental Pension Fund is invested in the Bond Index External Investment Pool. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool.

Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the systems' participation in the pool. Descriptions of the investments of the TSERS plan are included in the State of North Carolina's fiscal year 2023 Annual Comprehensive Financial Report.

Net Pension Liability

At June 30, 2024, the Board reported a liability of \$221,737 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. The Board's proportion of the net pension liability was based on the present value of future salaries for the Board relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the Board's proportion was 0.00133%, compared to 0.00171% as of June 30, 2023.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 5 - PENSION PLAN (Continued)

Actuarial Assumptions

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

Valuation Date	<u>12/31/2022</u>
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2022 valuations were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections.

Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 5 - PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The information in the preceding table is based on 30 year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 was 0.78%.

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plan calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate (dollars in thousands):

1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>\$375,882</u>	<u>\$221,737</u>	<u>\$90,622</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Board recognized pension expense of \$60,339. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Notes to Financial Statements

NOTE 5 - PENSION PLAN (Continued)

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension by Classification

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 18,077	\$ 1,637
Changes of assumptions	7,787	-
Net difference between projected and actual earnings on pension plan investments	61,754	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,892	15,080
	<u>98,510</u>	<u>16,717</u>
Contributions subsequent to the measurement date	60,406	-
	<u>\$ 158,916</u>	<u>\$ 16,717</u>

The amount reported as deferred outflows of resources related to pensions of \$60,406 will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30:</u>	
2025	\$ 31,299
2026	13,139
2027	34,717
2028	2,638
	<u>\$ 81,793</u>

Amount of the Employer's Balance of Deferred Outflows of Resources that will be included as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2024:

Deferred Outflow Amount	<u>\$ 60,406</u>
-------------------------	------------------

Changes in Long-Term Liabilities

	Net Liability
Balance July 1, 2023	\$ 253,802
Additions	-
Deletions	(32,065)
Balance, June 30, 2024	<u>\$ 221,737</u>
Due within one year	<u>\$ -</u>

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS

The Board participates in two Other Postemployment Benefit ("OPEB") plans administered by the State of North Carolina: the Retiree Health Benefit Fund ("RHBF") and the Disability Income Plan of North Carolina ("DIPNC"). Although the assets of the administered plans are commingled for investment purposes, each plan's assets may be used only for payment of benefits to members of that plan and for related administrative costs.

The financial statements of the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the OPEB funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool.

Each plan's financial information including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 Annual Comprehensive Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" in the "Public Information" menu or by calling the State Controller's Financial reporting Section at (919)707-0500.

Plan Descriptions:

Retirement Health Benefit Fund (RHBF)

Plan Administration

The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the financial reporting entity also participate. The Plan is reported as a major component unit. Management of the Plan is vested in the State Health Plan Board of Trustees.

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

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Retirement Health Benefit Fund (RHBF) (Continued)

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

Benefits Provided

RHBF provides benefits to retired employees and disabled employees. Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the "DIPNC" and retirees of the Teachers' and State Employees' Retirement System (TSERS), with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 with 5 but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis. RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions

By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, RHBF assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill.

The Board's contractually-required contribution rates for the year ended June 30, 2024 was 7.14% of covered payroll from July 1, 2023 through June 30, 2024. The Board's contributions to the RHBF were \$24,450 for the year ended June 30, 2024.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Disability Income Plan of NC (DIPNC)

Plan Administration

Short-term and long-term disability benefits are provided through the DIPNC, a cost-sharing, multiple-employer defined benefit plan, to the eligible members of the Teachers' and State Employees' Retirement System (TSERS) which includes employees of the State, the University of North Carolina system, community colleges, certain participating component units and Local Education Agencies (LEAs), and the University Employees' Optional Retirement Program. By statute, the DIPNC is administered by the Department of State Treasurer and the Board of Trustees of the TSERS.

Benefits Provided

Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System (TSERS) or the University Employees' Optional Retirement Program, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from the TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age. A member who is a law enforcement officer is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 55 and completing five years of creditable service as an officer, or (2) at any age with 30 years of creditable service.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible.

The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Disability Income Plan of NC (DIPNC) (Continued)

Benefits Provided (Continued)

After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System.

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

Contributions

Although the DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2024, the Board made a statutory contribution of 0.10% of covered payroll, which totaled \$377. This was equal to the actuarially required contribution.

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

Net Other Postemployment Benefits Liability and Asset

Net OPEB Liability: At June 30, 2024, the Board reported a liability for the RHBF of \$247,733 for its proportionate share of the collective net RHBF liability. The net RHBF liability was measured as of June 30, 2021. The total RHBF liability used to calculate the net RHBF liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total RHBF liability to June 30, 2022. The Board's proportion of the net RHBF liability was based on the present value of future salaries for the Board relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the Board's proportion was 0.00113%, compared to 0.00142% as of June 30, 2023.

Net OPEB Asset: At June 30, 2024, the Board reported a liability for the DIPNC of \$301 for its proportionate share of the collective net DIPNC liability. The net DIPNC liability was measured as of June 30, 2022. The total DIPNC asset used to calculate the net DIPNC liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total DIPNC asset to June 30, 2023.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Net Other Postemployment Benefits Liability and Asset (Continued)

The Board's proportion of the net DIPNC liability was based on the present value of future salaries for the Board relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the Board's proportion was 0.00093%, compared to 0.00149% as of June 30, 2023.

Actuarial Assumptions

The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

The total OPEB liabilities were then rolled forward to June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

	RHBF	DIPNC
Valuation Date	12/31/2022	12/31/2022
Inflation	2.50%	2.50%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.50%	3.00%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative****	3.00%	N/A

* Salary increases include 3.25% inflation and productivity factor.

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions (Continued)

Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.90%
Global Equity	6.50%
Real Estate	5.90%
Alternatives	8.20%
Opportunistic Fixed Income	5.00%
Inflation Sensitive	2.70%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions (Continued)

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate

The discount rate used to measure the total OPEB liability for RHBF was 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3%, 3% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS**Notes to Financial Statements**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the plans at June 30, 2023, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollars in thousands):

RHBF net OPEB liability

1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
<u>\$292,348</u>	<u>\$247,733</u>	<u>\$211,478</u>

DIPNC net OPEB liability

1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
<u>\$362</u>	<u>\$301</u>	<u>\$239</u>

Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the plans, as well as what the plans' net 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:

RHBF net OPEB Liability

1% Decrease (Medical - 4.0 - 5.5% Pharmacy - 4.0 - 9.0% Pharmacy Rebate - 4.0 - 6.0% Med. Advantage - 0.0 - 4.0% Administrative - 2.0%)	Current Healthcare Trend Rate (Medical - 5.0 - 6.5% Pharmacy - 5.0 - 10.0% Pharmacy Rebate - 5.0 - 7.0% Med. Advantage - 0.0 - 5.0% Administrative - 3.0%)	1% Increase (Medical - 6.0 - 7.5% Pharmacy - 6.0 - 11.0% Pharmacy Rebate - 6.0 - 8.0% Med. Advantage - 0.0 - 6.0% Administrative - 4.0%)
<u>\$204,526</u>	<u>\$247,733</u>	<u>\$303,448</u>

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the Board recognized other postemployment benefits expense of \$(33,854). At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits Plans by Classification

	RHBF		DIPNC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 2,728	\$ 243	\$ 263	\$ 166
Changes of assumptions	26,837	66,093	22	51
Net difference between projected and actual earnings on OPEB plan investments	1,979	-	393	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,113	140,305	258	84
Contributions subsequent to the measurement date	24,450	-	377	-
	<u>\$ 108,107</u>	<u>\$ 206,641</u>	<u>\$ 1,313</u>	<u>\$ 301</u>

The amount reported as deferred outflows of resources of \$24,450 and \$377 related to RHBF and DIPNC, respectively, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHBF and DIPNC will be recognized in other postemployment benefit expense as follows:

Years Ending June 30:	RHBF	DIPNC
2025	\$ (37,213)	\$ 230
2026	(38,952)	170
2027	(20,890)	147
2028	(25,929)	60
2029	-	22
Thereafter	-	6
	<u>\$(122,984)</u>	<u>\$ 635</u>

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS

Notes to Financial Statements

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amount of the Employer's Balance of Deferred Outflows of Resources that will be Included as a Reduction of the Net Other Postemployment Benefits Liability in the Fiscal Year Ending June 30, 2025:

	RHBF	DIPNC
Deferred Outflow Amount	<u>\$ 24,450</u>	<u>\$ 377</u>

Changes in Long-Term Liabilities and Assets

	RHBF Net OPEB Liability	DIPNC Net OPEB Asset	DIPNC Net OPEB Liability
Balance July 1, 2023	\$ 337,920	\$ -	\$ 443
Additions	-	-	-
Deletions	(90,187)	-	(142)
Balance, June 30, 2024	<u>\$ 247,733</u>	<u>\$ -</u>	<u>\$ 301</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

The Board has a lease providing the right-to-use office space for a term of five years beginning October 1, 2020 and ending September 30, 2025. The lease requires monthly payments of \$1,969 which increase at a rate of 3% annually. The Board has the option to renew the lease for an additional three year period. The prior lease ended on October 31, 2020.

Lease expenses were comprised of the following:

	2024	2023
Amortization expense by class of underlying asset		
Office space	<u>\$ 23,143</u>	<u>\$ 23,143</u>
Interest on lease liabilities	<u>\$ 1,481</u>	<u>\$ 2,238</u>

Right-to-use leased assets activity:

	6/30/2023	Additions	Subtractions	6/30/2024
Office space	\$ 115,714	\$ -	\$ -	\$ 115,714
Less: Accumulated amortization	(63,643)	(23,143)	-	(86,786)
Right-to-use assets, net	<u>\$ 52,071</u>	<u>\$ (23,143)</u>	<u>\$ -</u>	<u>\$ 28,928</u>
	6/30/2022	Additions	Subtractions	6/30/2023
Office Space	\$ 115,714	\$ -	\$ -	\$ 115,714
Less: Accumulated amortization	(40,500)	(23,143)	-	(63,643)
Right-to-use assets, net	<u>\$ 75,214</u>	<u>\$ (23,143)</u>	<u>\$ -</u>	<u>\$ 52,071</u>

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS**Notes to Financial Statements**

NOTE 7 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

Lease liabilities were comprised of the following:

	<u>6/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2024</u>
Office space	<u>\$ 56,483</u>	<u>\$ -</u>	<u>\$ (24,147)</u>	<u>\$ 32,336</u>

	<u>6/30/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2023</u>
Office Space	<u>\$ 79,126</u>	<u>\$ -</u>	<u>\$ (22,643)</u>	<u>\$ 56,483</u>

Future lease payments are comprised of the following:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2025	\$ 25,724	\$ 672	\$ 26,396
2026	6,612	36	6,648
	<u>\$ 32,336</u>	<u>\$ 708</u>	<u>\$ 33,044</u>

NOTE 8 - 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 9 - 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 10 - RELATED PARTY TRANSACTION

The Board pays fees to a family member of its staff related for janitorial services which totaled \$4,550 and \$4,200 for the fiscal years ended June 30, 2024 and 2023, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through October 21, 2024, which is the date the financial statements were available to be issued. Management discovered no other subsequent events which should be disclosed other than noted below.

The audit was conducted in approximately 90 hours at a cost of \$19,500

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Proportionate Share of Net Pension Liability and Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Years Ended June 30, 2024 and 2023

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportionate share percentage of the net pension liability (asset)	0.00133%	0.00171%	0.00162%	0.14400%	0.00156%	0.00160%	0.00156%	0.00219%	0.00186%	0.00244%
Proportionate share of the net pension liability (asset)	\$ 221,737	\$ 253,802	\$ 75,858	\$ 173,981	\$ 161,725	\$ 159,297	\$ 123,777	\$ 201,284	\$ 68,545	\$ 28,607
Covered-employee payroll	\$ 342,440	\$ 314,445	\$ 311,908	\$ 288,643	\$ 268,739	\$ 258,600	\$ 267,463	\$ 257,594	\$ 336,862	\$ 393,430
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	64.75%	80.71%	24.32%	60.28%	60.18%	61.60%	46.28%	78.14%	20.35%	7.27%
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.14%	94.86%	85.98%	87.56%	87.61%	87.32%	87.32%	94.64%	98.24%
Contributions:										
Contractually required contribution	\$ 80,063	\$ 72,004	\$ 67,233	\$ 57,571	\$ 47,897	\$ 48,039	\$ 43,067	\$ 39,938	\$ 50,789	\$ 82,935
Contributions in relation to the contractually required contribution	<u>80,063</u>	<u>72,004</u>	<u>67,233</u>	<u>57,571</u>	<u>47,897</u>	<u>48,039</u>	<u>43,067</u>	<u>39,938</u>	<u>50,789</u>	<u>82,935</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 342,440	\$ 314,445	\$ 311,908	\$ 288,643	\$ 268,739	\$ 258,600	\$ 267,463	\$ 257,594	\$ 336,862	\$ 393,430
Contributions as a percentage of covered-employee payroll	23.38%	22.90%	21.56%	19.95%	17.82%	18.58%	16.10%	15.50%	15.08%	21.08%

**Information for periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as information becomes available.*

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Proportionate Share of Net OPEB Liability and Schedule of Board Contributions
Retiree Health Benefit Fund and Disability Income Plan of North Carolina
Years Ended June 30, 2024 and 2023

	2024	2023	2022	2021	2020	2019	2018
Retiree Health Benefit Fund							
Proportionate share percentage of collective net OPEB liability (asset)	0.00093%	0.00142%	0.00123%	0.00120%	0.00134%	0.00136%	0.00146%
Proportionate share of collective net OPEB liability (asset)	\$ 247,733	\$ 337,920	\$ 380,225	\$ 331,839	\$ 424,621	\$ 387,347	\$ 478,866
Covered-employee payroll	\$ 342,440	\$ 314,445	\$ 311,908	\$ 288,643	\$ 268,739	\$ 258,600	\$ 396,614
Net OPEB liability as a percentage of covered payroll	72.34%	107.47%	121.90%	114.97%	158.00%	149.79%	120.74%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	10.73%	10.58%	7.72%	6.92%	4.40%	4.40%	3.52%
Disability Income Plan of North Carolina							
Proportionate share percentage of collective net OPEB liability (asset)	0.00113%	0.00149%	0.00143%	0.00124%	0.00134%	0.00138%	0.00136%
Proportionate share of collective net OPEB liability (asset)	\$ 301	\$ 443	\$ (234)	\$ (610)	\$ (578)	\$ (419)	\$ (831)
Covered-employee payroll	\$ 342,440	\$ 314,445	\$ 311,908	\$ 288,643	\$ 268,739	\$ 258,600	\$ 396,614
Net OPEB liability as a percentage of covered payroll	0.09%	0.14%	-0.08%	-0.21%	-0.22%	-0.16%	-0.21%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	90.61%	90.34%	-105.18%	-115.57%	-113.00%	-108.47%	-116.23%

**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.*

NORTH CAROLINA BOARD OF BARBER AND ELECTROLYSIS EXAMINERS
Schedule of Changes in the Total OPEB Liability and Related Ratios
Years Ended June 30, 2024 and 2023

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	2,582	2,843	(4,237)	(12,239)	(20,815)	(25,757)	(34,108)
Changes of assumptions or other inputs	(92,911)	(44,471)	52,999	(80,575)	57,930	(65,350)	(343,694)
Benefit payments	-	-	-	-	-	-	-
Net change in total OPEB liability	(90,329)	(41,628)	48,762	(92,814)	37,115	(91,107)	(377,802)
Total OPEB - beginning	338,363	379,991	331,229	424,043	386,928	478,035	855,837
Total OPEB - ending	<u>\$ 248,034</u>	<u>\$ 338,363</u>	<u>\$ 379,991</u>	<u>\$ 331,229</u>	<u>\$ 424,043</u>	<u>\$ 386,928</u>	<u>\$ 478,035</u>
Covered-employee payroll	\$ 342,440	\$ 314,445	\$ 311,908	\$ 288,643	\$ 268,739	\$ 258,600	\$ 396,614
Total OPEB liability as a percentage of covered-employee payroll	72.43%	107.61%	121.83%	114.75%	157.79%	149.62%	120.53%

**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.*