



Financial Statements
and Supplementary Information

for

NORTH CAROLINA MEDICAL BOARD

Years Ended October 31, 2023 and 2022
with Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors
North Carolina Medical Board
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of North Carolina Medical Board (the Board) which comprise the statements of net position as of October 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of October 31, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities 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, 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the total OPEB liability and Related Ratios, and the schedule of OPEB Contributions 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 the 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 audits 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.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
January 19, 2024

NORTH CAROLINA MEDICAL BOARD

Management's Discussion and Analysis

Year Ended October 31, 2023

As management of the North Carolina Medical Board (the Board), we offer this discussion and analysis of the financial position for the fiscal year ended October 31, 2023. This discussion and analysis is designed to provide an overview of the Board's activities that have a financial impact and to present the change in the Board's financial position. This discussion should be read along with the financial statements and notes to the financial statements.

Financial Highlights

Net assets are an indicator of the financial health of the Board. Assets exceeded liabilities by \$18,495,484 and 17,560,949 as of October 31, 2023 and 2022, respectively.

Condensed Statement of Net Position

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Current assets	\$ 23,225,967	\$ 22,102,473
Capital assets	<u>11,819,849</u>	<u>12,478,523</u>
Total assets	<u>\$ 35,045,816</u>	<u>\$ 34,580,996</u>
Deferred outflows of resources	<u>\$ 179,811</u>	<u>\$ 191,771</u>
Current liabilities	\$ 7,426,185	\$ 7,333,673
Noncurrent liabilities	<u>8,847,885</u>	<u>9,384,062</u>
Total liabilities	<u>\$ 16,274,070</u>	<u>\$ 16,717,735</u>
Deferred inflows of resources	<u>\$ 456,073</u>	<u>\$ 494,083</u>
Invested in capital assets, net of related debt	\$ 2,908,323	\$ 2,995,531
Unrestricted net position	<u>15,587,161</u>	<u>14,565,418</u>
Total net position	<u>\$ 18,495,484</u>	<u>\$ 17,560,949</u>

NORTH CAROLINA MEDICAL BOARD

Management's Discussion and Analysis, continued

Year Ended October 31, 2023

Financial Highlights, continued

The following table summarizes the revenues and expenses for the Board for the fiscal years ending October 31, 2023 and 2022:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 15,183,612	\$ 14,734,509
Non-operating revenues (expenses)	<u>1,089,972</u>	<u>(3,427,185)</u>
Total revenues	16,273,584	11,307,324
Operating expenses	<u>15,339,049</u>	<u>13,159,938</u>
Change in net position	934,535	(1,852,614)
Beginning net position	<u>17,560,949</u>	<u>19,413,563</u>
Ending net position	\$ <u>18,495,484</u>	\$ <u>17,560,949</u>

Operating revenues increased by \$449,103. Operating revenues increased primarily due to population growth within the area resulting in an increase in physician and physician assistant fees. Operating expenses increased by \$2,179,111. The largest individual changes in expenses were increases in employee wages and benefits of \$1,727,348 and consulting expense of \$313,215. These increases were the result of merit increases for employees, additional positions created during the year, and outsourced consulting firms hired to assist in the search for a new chief executive officer.

Overview of Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which comprise the following components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board principles.

Financial Statements

The financial statements present information about the Board using accounting methods similar to those used by private businesses. The major difference being that the focus of governmental reporting is fiscal and operational accountability to assure that sufficient resources are available to cover the cost of providing services over the long term as opposed to the market-driven focus reported in the private sector.

The Statement of Net Position presents assets, liabilities, and net position.

NORTH CAROLINA MEDICAL BOARD

Management's Discussion and Analysis, continued

Year Ended October 31, 2023

Financial Statements, continued

The Statement of Revenues, Expenses, and Changes in Net Position presents the activities that show the change in net position. Operating revenues are received primarily from initial and renewal of licensing fees. Non-operating revenue is derived from earnings on investments and gains (losses) on sales of capital assets. Operating expenses are used to acquire goods and services in return for the operating revenues in order to carry out the mission of the Board.

The Statement of Cash Flows presents information on how changes in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position affect cash. The Statement of Cash Flows is useful in analyzing the short-term viability of the Board; i.e. its ability to meet its financial obligations.

Capital Assets

Net capital assets decreased by \$658,674 during the year ended October 31, 2023. The decrease was due to depreciation expense on the building and upfit and amortization expense on leased and subscription assets. The following is a summary of capital assets, net of depreciation and amortization:

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Land	\$ 1,366,042	\$ 1,366,042
Building and improvements	9,707,222	10,055,641
Office furniture and equipment	563,084	754,278
Leased assets	97,072	142,051
Subscription assets	86,429	160,511
	<u>\$ 11,819,849</u>	<u>\$ 12,478,523</u>

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 funds it receives and expends. If you have any questions about this report or need additional information, contact:

Thomas Mansfield, Chief Executive Officer
North Carolina Medical Board
3127 Smoketree Ct.
Raleigh, NC 27604

NORTH CAROLINA MEDICAL BOARD

Statements of Net Position

October 31, 2023 and 2022

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 398,361	\$ 822,978
Accounts receivable	18,933	27,750
Investments	22,662,574	21,122,969
Prepaid expenses	<u>146,099</u>	<u>128,776</u>
Total current assets	23,225,967	22,102,473
Capital assets:		
Land	1,366,042	1,366,042
Building and improvements	10,610,209	10,604,308
Office furniture and equipment	1,326,227	1,257,394
Leased assets	176,796	222,585
Subscription right-to-use asset	<u>222,246</u>	<u>222,246</u>
Total	13,701,520	13,672,575
Less accumulated depreciation and amortization	<u>1,881,671</u>	<u>1,194,052</u>
Total capital assets, net	<u>11,819,849</u>	<u>12,478,523</u>
Total assets	\$ <u>35,045,816</u>	\$ <u>34,580,996</u>
Deferred Outflows of Resources		
OPEB deferrals	\$ <u>179,811</u>	\$ <u>191,771</u>

NORTH CAROLINA MEDICAL BOARD

Statements of Net Position, continued

October 31, 2023 and 2022

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 409,815	\$ 473,011
Compensated absences	516,758	478,378
Lease liabilities— current	40,126	52,529
Subscription liability— current	79,014	81,497
Loan payable— furniture & equipment loan	99,425	96,218
Loan payable— Smoketree construction loan	365,760	354,054
Unearned license revenue	<u>5,915,287</u>	<u>5,797,986</u>
Total current liabilities	7,426,185	7,333,673
Noncurrent liabilities:		
Lease liabilities— noncurrent	57,955	89,410
Subscription liability— noncurrent	-	79,014
Loan payable— furniture & equipment loan	336,680	435,879
Loan payable— Smoketree construction loan	7,932,566	8,294,391
Total OPEB liability	<u>520,684</u>	<u>485,368</u>
Total noncurrent liabilities	<u>8,847,885</u>	<u>9,384,062</u>
Total liabilities	\$ <u>16,274,070</u>	\$ <u>16,717,735</u>
Deferred Inflows of Resources		
OPEB Deferrals	\$ <u>456,073</u>	\$ <u>494,083</u>
Net Position		
Invested in capital assets, net of related debt	\$ 2,908,323	\$ 2,995,531
Unrestricted	<u>15,587,161</u>	<u>14,565,418</u>
Total net position	\$ <u>18,495,484</u>	\$ <u>17,560,949</u>

See accompanying notes.

NORTH CAROLINA MEDICAL BOARD

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended October 31, 2023 and 2022

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Operating revenues:		
Physicians' fees	\$ 12,465,081	\$ 12,043,738
Physician assistants' fees	1,563,423	1,495,450
Residents' fees	578,773	569,840
Nurse practitioners' fees	260,125	304,837
Corporations' fees	154,312	155,713
Other licensee fees	77,848	84,610
DataLiNC and roster reports	57,242	57,862
Grant revenue	20,000	-
Miscellaneous income	4,308	1,959
Civil penalties collected	<u>2,500</u>	<u>20,500</u>
Total operating revenues	15,183,612	14,734,509
Operating expenses:		
Employee wages and benefits	9,998,449	8,271,101
Professionals Health Program	1,468,843	1,424,935
Office expenses	951,208	973,095
Consulting	746,841	433,626
Depreciation and amortization	737,453	728,045
Maintenance and computer support	347,363	356,291
Interest expense	308,475	305,496
Automotive, travel, and meal expenses	288,879	179,987
Board per diem expense	196,553	209,425
Legal and accounting	121,793	119,796
Dues and publications	59,578	46,105
Postage and printing	56,235	50,563
Other post-employment benefits	33,771	25,993
Other	21,108	14,980
Civil penalties remitted	<u>2,500</u>	<u>20,500</u>
Total expenses	<u>15,339,049</u>	<u>13,159,938</u>
Operating (loss) income	\$ (155,437)	\$ 1,574,571

NORTH CAROLINA MEDICAL BOARD

Statements of Revenues, Expenses, and Changes in Net Position, continued

Years Ended October 31, 2023 and 2022

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Operating (loss) income, continued	\$ (155,437)	\$ 1,574,571
Non-operating revenues (expenses):		
Investment income (loss)	1,089,605	(3,431,396)
Gain on disposal of assets	<u>367</u>	<u>4,211</u>
Total non-operating revenues (expenses)	<u>1,089,972</u>	<u>(3,427,185)</u>
Change in net position	934,535	(1,852,614)
Net position, beginning of the year	<u>17,560,949</u>	<u>19,413,563</u>
Net position, end of year	\$ <u>18,495,484</u>	\$ <u>17,560,949</u>

See accompanying notes.

NORTH CAROLINA MEDICAL BOARD

Statements of Cash Flows

Years Ended October 31, 2023 and 2022

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Cash flows from operating activities:		
Cash received from registrations	\$ 15,225,680	\$ 14,869,220
Cash payments to employees	(9,984,574)	(8,250,209)
Cash payments to Professional Health Program	(1,460,854)	(1,415,841)
Cash payments for office operations	(3,189,041)	(2,777,198)
Cash payments for other operating revenues	<u>84,050</u>	<u>80,320</u>
Net cash provided by operating activities	675,261	2,506,292
Cash flows from investing activities:		
Proceeds from sale of capital assets	945	1,485
Purchases of capital assets	(74,734)	-
Purchases of investments	(11,376,458)	(4,912,185)
Proceeds from sale of investments	<u>10,933,933</u>	<u>3,077,437</u>
Net cash used by investing activities	(516,314)	(1,833,263)
Cash flows from financing activities:		
Repayment of lease liabilities	(55,956)	(74,505)
Repayment of subscription liabilities	(81,497)	(61,735)
Repayment of loan payable	<u>(446,111)</u>	<u>(395,532)</u>
Net cash used in financing activities	<u>(583,564)</u>	<u>(531,772)</u>
Net (decrease) increase in cash and cash equivalents	(424,617)	141,257
Cash and cash equivalents, beginning of year	<u>822,978</u>	<u>681,721</u>
Cash and cash equivalents, end of year	\$ <u>398,361</u>	\$ <u>822,978</u>

NORTH CAROLINA MEDICAL BOARD

Statements of Cash Flows, continued

Years Ended October 31, 2023 and 2022

	<u>2023</u>	<u>As restated</u> <u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	\$ (155,437)	\$ 1,574,571
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	737,453	728,045
Increase (decrease) in cash due to changes in:		
Accounts receivable	8,817	(1,695)
Prepaid expenses	(17,323)	(24,094)
Accounts payable	(63,196)	(34,146)
Compensated absences	38,380	38,758
Unearned license revenue	117,301	216,727
Total OPEB Liability	35,316	(310,107)
Deferred outflows of resources— OPEB	11,960	23,133
Deferred inflows of resources— OPEB	<u>(38,010)</u>	<u>295,100</u>
Net cash provided by operating activities	<u>\$ 675,261</u>	<u>\$ 2,506,292</u>
Supplemental disclosures of cash flow information:		
Noncash investing and financing transactions:		
Reinvested interest and dividends, net of fees	\$ 546,083	\$ 664,021
Purchase of leased asset	12,098	96,231
Purchase of subscription asset	-	222,246

See accompanying notes.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements

1. Description of the Organization

The North Carolina Medical Board (the Board) is an occupational licensing board and is authorized by Chapter 90 of the NC General Statutes. The Board exists to regulate the practice of medicine for the benefit and protection of the people of the State of North Carolina. The Board is involved in licensing, monitoring, education, and rehabilitation of physicians, physicians' assistants, and certain other health care professionals.

2. Reporting Entity and Summary of Significant Accounting Policies

Financial Reporting Entity

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

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Comprehensive Annual Financial Report*. 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.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The Board applied all applicable Financial Accounting Standards Board pronouncements issued before November 30, 1989.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or fees.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

2. Reporting Entity and Summary of Significant Accounting Policies, continued

Basis of Accounting

In accordance with *Governmental Accounting Standards Statement 34*, the Board presents a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units. The financial statements report all activities of the North Carolina Medical Board using the current financial resource measurement focus and the full accrual basis of accounting. Revenue from individual health care professional licensees is recognized over the license period. Individuals are licensed by the Board annually upon registering within 30 days of their birthday. Corporations are licensed annually and the revenue is recognized over the license period. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Other revenues and expenses are classified as non-operating in the financial statements.

Adoption of New Accounting Standard

Effective November 1, 2022, the Board adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB 96). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The statement requires recognition of certain right-to-use subscription assets and subscription liabilities for SBITAs and recognition of inflows of resources or outflows of resources based on the payment provisions of the agreement.

Net position has not been impacted as a result of the implementation of GASB 96. Adoption of GASB 96 requires retroactive implementation for all periods reported, therefore, effective November 1, 2021, the Board recorded a subscription liability and subscription right-of-use asset of \$222,246, representing the present value of payments expected to be made during the remaining term of the SBITAs.

Deposits

All deposits of the Board are maintained in financial institutions located in the State of North Carolina. Amounts in excess of monthly operating expenses are transferred to a managed investment account.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Board considers cash to include cash in banks and short-term investments with original maturities of three months or less.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

2. Reporting Entity and Summary of Significant Accounting Policies, continued

Accounts Receivable

The Board's management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made. If amounts previously written off are collected, they will be credited to income when received.

Investments

The Board reports investments at fair value as required by *Governmental Accounting Standards Statement 31*. Fair value is based on readily available published values. Money market funds invested through brokerage accounts or bank investment management firms are considered investments.

Capital Assets

Capital assets are recorded at original cost using a capitalization threshold of \$5,000. Depreciation on furniture and office equipment is computed using the straight-line method over the estimated useful lives of the individual assets, ranging from three to seven years. Depreciation on the building and building improvements is computed using the straight-line method over the estimated useful life of the building, which is estimated at 30 years. Expenditures for repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation associated with capital assets are removed from the accounts upon retirement or other disposition, and any resulting gain or loss is reflected as a non-operating item.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Compensated Absences

Vacation is accrued as earned and payable. Board policy provides for a maximum accumulation of unused vacation leave of 480 hours (or in the case of employees starting after January 1, 2018, 240 hours), which can be carried forward at the end of each fiscal year. Unused vacation in excess of 480 hours (or 240 hours) may be transferred to sick leave. Upon termination of employment, the employee is paid for vacation earned but not taken up to a maximum of 240 hours. The liability is adjusted annually for the change in accrued vacation pay, and the change is reflected in the statement of revenues, expenses, and changes in net position. Accrued vacation totaled \$516,758 and 478,378 at October 31, 2023 and 2022, respectively.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

2. Reporting Entity and Summary of Significant Accounting Policies, continued

Compensated Absences, continued

The Board's sick leave policy provides for an accumulation of earned sick leave. Since the Board has no obligation to compensate an employee for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

Leases

Leases are contracts that convey control of a right to use another entity's nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

Short term leases

For leases with a maximum term of 12-months or less at the commencement date of the lease the Board recognizes lease income or lease expense as amounts become due under the lease agreement.

Board as Lessee

Lease liabilities on the statement of net position represent the present value of payments expected to be made during the lease term. Lease payments are discounted to present value using the rate implicit in the lease, when it can be readily determined, or the Board's incremental borrowing rate at the commencement of the lease. In subsequent years, amortization of the discount is included in interest expense in the statement of activities.

Variable payments based on future performance of the Board, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the lease liability. Those variable payments are recognized as lease expense in the period in which the obligation for those payments is incurred.

At commencement of the lease, a right-to-use asset is recorded on the statement of net position in an amount equal to the corresponding lease liability plus lease payments paid by the Board at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The right-to-use asset also includes any initial direct costs that are necessary to place the leased asset into service. The right-to-use asset is amortized over the shorter of the lease term or the useful life of the right-to-use asset.

Subsequent to the commencement of the lease, the lease liability and right-to-use asset are remeasured if certain criteria are met.

Subscription-Based Information Technology Arrangements (SBITAs)

SBITAs are contracts that convey the control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

2. Reporting Entity and Summary of Significant Accounting Policies, continued

Subscription-Based Information Technology Arrangements (SBITAs), continued

Short term SBITAs

For SBITAs with a maximum term of 12-months or less at the commencement date of the agreement the Board recognizes as outflow of resources as amounts become due under the agreement.

SBITA right-to-use assets and liabilities

Subscription liabilities on the statement of net position represent the present value of payments expected to be made during the during the subscription term. Subscription payments are discounted to present value using the interest rate the SBITA vendor charges the Board, or the Board's incremental borrowing rate if the SBITA vendor's interest rate is not readily determinable. In subsequent years, amortization of the discount is included in interest expense in the statement of activities.

Variable payments based on future performance of the Board, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the subscription liability. Those variable payments are recognized as an outflow of resources in the period in which the obligation for those payments is incurred.

At commencement of the SBITA, a right-to-use subscription asset is recorded on the statement of net position in an amount equal to the corresponding subscription liability plus payments paid to the SBITA vendor by the Board at or before the commencement of the subscription term, less any incentives received by the Board from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription asset also includes any capitalizable implementation costs that are necessary to place the right-to-use subscription asset into service. The right-to-use subscription asset is amortized over the shorter of the subscription term or the useful life of the right-to-use subscription asset.

Subsequent to the commencement of the SBITA, the subscription liability and right-to-use subscription asset are remeasured if certain criteria are met.

Unearned Revenue

Unearned revenue consists of license fees collected and recognized as revenue over the time periods to which the fees relate.

Net Position

Net position is classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The Board currently has no restricted net position.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

2. Reporting Entity and Summary of Significant Accounting Policies, continued

Subsequent Events

Management of the Board has evaluated subsequent events for accounting and disclosure requirements through January 19, 2024, the date that the financial statements were available to be issued.

3. Investments

As of October 31, 2023 and 2022, the Board had the following investments:

	Fair Value	
	<u>2023</u>	<u>2022</u>
Corporate bonds	\$ 8,039,191	\$ 6,305,009
Government and government-sponsored agency bonds	786,240	2,195,130
Equity securities and mutual funds	12,555,326	11,848,550
Money market account	1,281,817	774,280
	<u>\$ 22,662,574</u>	<u>\$ 21,122,969</u>

The Board's investments are subject to interest, credit, and custodial risk.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and to protect principal, the Board's investment policy seeks to maintain an asset allocation that allows for required cash flows while maintaining a high quality, diverse asset allocation.

The maturities of the Board's corporate and government bonds as of October 31, 2023 were:

1-3 years	\$ 3,176,495
4-10 years	5,648,936
	<u>\$ 8,825,431</u>

Credit Risk – The Board has given the investment manager discretion to buy and sell securities; however, the investment allocation guidelines are governed by the Board's investment policy. The investment policy permits a portfolio of 30% - 50% equity investments, 50% - 70% fixed income investments, and a maximum of 10% cash equivalents.

The investment policy provisions permit the holding of current bonds held with Standard & Poor's credit ratings of AAA to BB-; however, future bond purchases are restricted to securities with an A rating or better.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

3. Investments, continued

At October 31, 2023, the Board's portfolio had the following Standard and Poor's credit ratings:

<u>Credit Rating</u>	<u>Investment Amount</u>
AA+	\$ 1,628,052
AA	87,811
AA-	699,247
A+	672,641
A	2,569,436
A-	907,554
BBB+	58,500
Not Rated	<u>2,202,190</u>
	<u>\$ 8,825,431</u>

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counter party, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Board maintains cash accounts at a commercial bank. Accounts maintained at commercial banks are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Board had FDIC uninsured cash balances of \$128,041 and \$500,133 at October 31, 2023 and 2022, respectively.

The Board also maintains securities and cash and cash equivalents in a bank investment management firm (Firm). The Firm carries bankers' professional liability insurance with limits up to \$15 million to cover inadvertent actions taken by bank personnel on behalf of fiduciary accounts. In addition, the Firm carries a financial institution bond policy covering criminal activities, employee dishonesty, and electronic and computer crime. At October 31, 2023 and 2022, the FDIC limits of protection were \$250,000 for cash and cash equivalents held with the Firm and the Board had uninsured balances of \$1,031,817 and \$524,280, respectively.

Investment income is composed of the following for the years ended October 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 630,725	\$ 748,693
Unrealized and realized gains (losses)	543,522	(4,095,417)
Investment fees	<u>(84,642)</u>	<u>(84,672)</u>
	<u>\$ 1,089,605</u>	<u>\$ (3,431,396)</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

4. Fair Value Measurements

The Board's investments are recorded at fair value as of October 31, 2023 and 2022. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as 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. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government or enterprise fund can access at the measurement date.
- Level 2: Investments with inputs – other than quoted prices included with Level 1 – that are observable for an asset either directly or indirectly.
- Level 3: Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

4. Fair Value Measurements, continued

As of October 31, 2023, the Board's investment valuations were as follows:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Corporate bonds	\$ 8,039,191	\$ -	\$ 8,039,191	\$ -
Government and government-sponsored agency bonds	786,240	786,240	-	-
Equity securities and mutual funds	12,555,326	12,555,326	-	-
Money market account	<u>1,281,817</u>	<u>1,281,817</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 22,662,574</u>	<u>\$ 14,623,383</u>	<u>\$ 8,039,191</u>	<u>\$ -</u>

As of October 31, 2022, the Board's investment valuations were as follows, as restated (see Note 14):

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Corporate bonds	\$ 6,305,009	\$ -	\$ 6,305,009	\$ -
Government and government-sponsored agency bonds	2,195,130	2,195,130	-	-
Equity securities and mutual funds	11,848,550	11,848,550	-	-
Money market account	<u>774,280</u>	<u>774,280</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 21,122,969</u>	<u>\$ 14,817,960</u>	<u>\$ 6,305,009</u>	<u>\$ -</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

5. Capital Assets

Changes in capital assets for the year ended October 31, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,366,042	\$ -	\$ -	\$ 1,366,042
Capital assets being depreciated:				
Buildings and improvements	10,604,308	5,901	-	10,610,209
Office furniture and equipment	<u>1,257,394</u>	<u>68,833</u>	<u>-</u>	<u>1,326,227</u>
Total capital assets being depreciated	11,861,702	74,734	-	11,936,436
Less accumulated depreciation for:				
Buildings and improvements	548,667	354,320	-	902,987
Office furniture and equipment	<u>503,116</u>	<u>260,027</u>	<u>-</u>	<u>763,143</u>
Total capital assets being depreciated, net	10,809,919	(539,613)	-	10,270,306
Leased assets:				
Equipment	145,721	-	(13,162)	132,559
Vehicles	<u>76,864</u>	<u>12,098</u>	<u>(44,725)</u>	<u>44,237</u>
Total leased assets being amortized	222,585	12,098	(57,887)	176,796
Less accumulated amortization:				
Equipment	35,157	30,442	(13,162)	52,437
Vehicles	<u>45,377</u>	<u>18,582</u>	<u>(36,672)</u>	<u>27,287</u>
Total leased assets being amortized, net	142,051	(36,926)	(8,053)	97,072
Subscription-based information technology arrangement assets:				
Subscription-based information technology arrangements	222,246	-	-	222,246
Less accumulated amortization:				
Subscription-based information technology arrangements	<u>61,735</u>	<u>74,082</u>	<u>-</u>	<u>135,817</u>
Total subscription-based information technology arrangement assets being amortized, net	<u>160,511</u>	<u>(74,082)</u>	<u>-</u>	<u>86,429</u>
Capital assets, net	<u>\$ 12,478,523</u>			<u>\$ 11,819,849</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

5. Capital Assets, continued

Changes in capital assets for the year ended October 31, 2022 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance, as restated
Capital assets not being depreciated:				
Land	\$ 1,366,042	\$ -	\$ -	\$ 1,366,042
Capital assets being depreciated:				
Buildings and improvements	10,604,308	-	-	10,604,308
Office furniture and equipment	<u>1,257,394</u>	<u>-</u>	<u>-</u>	<u>1,257,394</u>
Total capital assets being depreciated	11,861,702	-	-	11,861,702
Less accumulated depreciation for:				
Buildings and improvements	195,190	353,477	-	548,667
Office furniture and equipment	<u>248,684</u>	<u>254,432</u>	<u>-</u>	<u>503,116</u>
Total capital assets being depreciated, net	11,417,828	(607,909)	-	10,809,919
Leased assets:				
Equipment	148,350	80,888	(83,517)	145,721
Vehicles	<u>61,521</u>	<u>15,343</u>	<u>-</u>	<u>76,864</u>
Total leased assets being amortized	209,871	96,231	(83,517)	222,585
Less accumulated amortization:				
Equipment	74,624	31,523	(70,990)	35,157
Vehicles	<u>18,499</u>	<u>26,878</u>	<u>-</u>	<u>45,377</u>
Total leased assets being amortized, net	116,748	37,830	(12,527)	142,051
Subscription-based information technology arrangement assets:				
Subscription-based information technology arrangements	-	222,246	-	222,246
Less accumulated amortization:				
Subscription-based information technology arrangements	<u>-</u>	<u>61,735</u>	<u>-</u>	<u>61,735</u>
Total subscription-based information technology arrangement assets being amortized, net	<u>-</u>	<u>160,511</u>	<u>-</u>	<u>160,511</u>
Capital assets, net	<u>\$ 12,900,618</u>			<u>\$ 12,478,523</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

6. Pension Plan

The Board has a contributory pension plan covering all full-time employees who have met certain age and length of service requirements. The employees are covered under a 401(k) plan administered by Voya Financial which allows all employees an elective deferral of their salary. The Board makes a matching contribution of up to 6% of an employee's salary.

In November 2009, the Board adopted a 457(b) plan administered by the NC Department of State Treasurer. The plan allows all employees to elect a deferral.

Total pension costs for the years ended October 31, 2023 and 2022 were \$369,442 and \$319,112, respectively. Employee contributions for the years ended October 31, 2022 and 2021 were \$829,603 and \$569,438, respectively.

7. Other Post-Employment Benefit

Plan Description

The Board administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of January 1, 2018, this plan provides postemployment healthcare benefits to retirees of the Board, provided they have at least 15 years of service with the Board and have attained the age of 60. The Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at November 1, 2022, the date of the latest actuarial valuation:

	<u>Employees</u>
Potentially eligible employees	63
Total retirees	<u>5</u>
Total	<u>68</u>

Funding Policy

The Board reimburses eligible retirees for healthcare coverage that they obtain themselves up to the amount the Board pays toward the premium for single coverage under the current group health plan for active employees. The Board has chosen to fund the healthcare benefits on a pay as you go basis.

Total OPEB Liability

The Board's total OPEB (Other Post Employment Benefit) liability of \$520,684 was measured as of November 1, 2022 and October 31, 2023 and was determined by an actuarial valuation as of those dates.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

7. Other Post-Employment Benefit, continued

Total OPEB Liability, continued

Actuarial Assumptions and other inputs. The total OPEB liability in the November 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Salary increases	3.00 percent
Discount rate	5.10 percent
	5.50% initially graded down 0.50% per year to an ultimate rate of
Medical trend rate	4.00% per year after three years
Retirement	20% of participants are assumed to retire in their first year of eligibility for postretirement benefits
Termination table	The assumed termination rates are based on each participant's years of service
Per capita costs:	
	Based on the plan's stated maximum reimbursement rate, which are amounts that the employer pays for employee-only coverage under the current group health plan for active employees
Pre-Medicare	Based on the premium rates for Medicare Part B, Medicare Supplement Plan G, Medicare Advantage and Medicare Part D
Post-Medicare	prescription drug plans available in the Raleigh, NC area

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High-Grade Index as of the measurement date.

Changes in the total OPEB liability

Balance at November 1, 2022	\$ 485,368
Changes for the year:	
Service cost	42,576
Interest cost	23,921
Changes in actuarial assumptions	(1,830)
Contributions from employer	(24,505)
Additional expected benefit payments	(4,846)
Net changes	<u>35,316</u>
Balance at October 31, 2023	<u>\$ 520,684</u>

Mortality rates were based on the Pri-2012 White Collar Headcount-Weighted Mortality Table with generational projection of mortality improvements using the MP-2021 Projection Scale.

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

7. Other Post-Employment Benefit, continued

Total OPEB Liability, continued

Sensitivity of the total OPEB liability to changes in the discount rate at November 1, 2022. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (4.10%) or 1-percentage-point higher (6.10%) than the current discount rate:

	Current		
	1% decrease (4.10%)	Discount rate (5.10%)	1% increase (6.10%)
Total OPEB liability	\$ 515,202	\$ 483,538	\$ 453,751

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Current		
	1% decrease	Medical trend	1% increase
Total OPEB liability	\$ 442,835	\$ 483,538	\$ 529,779

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

For the year ended October 31, 2023 and 2022, the Board recognized OPEB expense of \$33,771 and \$25,993, respectively. At October 31, 2023 and 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Expected net benefit payments	\$ -	\$ 24,505	\$ -	\$ 17,866
Changes in assumptions	476,217	431,568	191,771	476,217
	<u>\$ 476,217</u>	<u>\$ 456,073</u>	<u>\$ 191,771</u>	<u>\$ 494,083</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

8. Leases

The Board has entered into lease agreements for vehicles and equipment. The total of the Board's lease assets is recorded at a cost of \$176,796, less accumulated amortization of \$79,724.

The future lease payments under lease agreements are as follows:

	Leases		
	Principal	Interest	Total
2024	\$ 40,126	\$ 3,529	\$ 43,655
2025	27,389	2,050	29,439
2026	21,577	981	22,558
2027	8,989	132	9,121
	<u>\$ 98,081</u>	<u>\$ 6,692</u>	<u>\$ 104,773</u>

9. Subscription-Based Information Technology Arrangements

The Board has entered into subscription-based information technology arrangement (SBITA) involving occupational licensing solutions software.

The total of the Board's subscription asset is recorded at a cost of \$222,246, less accumulated amortization of \$135,817.

The future subscription payments under SBITA agreements are as follows:

	Subscriptions		
	Principal	Interest	Total
2024	<u>\$ 79,014</u>	<u>\$ 554</u>	<u>\$ 79,568</u>

10. Compensated Absences

Changes to accrued vacation are as follows:

	<u>2023</u>	<u>2022</u>
Beginning accrued vacation	\$ 478,378	\$ 439,620
Vacation earned	476,141	418,232
Vacation used	<u>(437,761)</u>	<u>(379,474)</u>
Ending accrued vacation	<u>\$ 516,758</u>	<u>\$ 478,378</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

11. Noncurrent Liabilities

Loans Payable

The Board obtained a promissory note from First-Citizens Bank & Trust Company on March 23, 2020 in the amount of \$9,231,000 to finance the construction of the office building. Interest accrues on the outstanding principal balance at an annual fixed rate of 3.29% and is payable monthly. The Board requested draws on the note balance as needed during construction. The balance on the loan was \$8,298,326 and \$8,648,445 at October 31, 2023 and 2022, respectively.

The Board obtained a promissory note from First-Citizens Bank & Trust Company on March 23, 2020 in the amount of \$700,000 to finance the purchase of furniture and fixtures for the office building. Interest accrues on the outstanding principal balance at an annual fixed rate of 3.29% and is payable monthly. The Board requested draws on the note balance as needed while furnishing the building. Principal repayment began on January 23, 2021. The balance on the loan was \$436,105 and \$532,097 at October 31, 2023 and 2022, respectively.

Future loan payments are as follows:

<u>Year ending October 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 465,185	\$ 280,378	\$ 745,563
2025	480,710	264,852	745,562
2026	496,766	248,796	745,562
2027	513,359	232,204	745,563
2028	435,151	216,213	651,364
2029-2032	<u>6,343,260</u>	<u>576,749</u>	<u>6,920,009</u>
	<u>\$ 8,734,431</u>	<u>\$ 1,819,192</u>	<u>\$ 10,553,623</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

11. Noncurrent Liabilities, continued

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities reported in the financial statements for the fiscal year ended October 31, 2023:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Loan payable - Smoketree construction	\$ 8,648,445	\$ -	\$ (350,119)	\$ 8,298,326	\$ 365,760
Loan payable - Furniture & equipment	<u>532,097</u>	<u>-</u>	<u>(95,992)</u>	<u>436,105</u>	<u>99,425</u>
Total loans payable	9,180,542	-	(446,111)	8,734,431	465,185
Lease liabilities	141,939	12,098	(55,956)	98,081	40,126
Subscription liability	160,511	-	(81,497)	79,014	79,014
Total OPEB liability	<u>485,368</u>	<u>35,316</u>	<u>-</u>	<u>520,684</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 9,968,360</u>	<u>\$ 47,414</u>	<u>\$ (583,564)</u>	<u>\$ 9,432,210</u>	<u>\$ 584,325</u>

The following is a summary of changes in noncurrent liabilities reported in the financial statements for the fiscal year ended October 31, 2022, as restated:

	Beginning Balance	Increases	Decreases	Ending Balance, as restated	Amounts Due Within One Year, as restated
Loan payable - Smoketree construction	\$ 8,958,716	\$ -	\$ (310,271)	\$ 8,648,445	\$ 354,054
Loan payable - Furniture & equipment	<u>617,358</u>	<u>-</u>	<u>(85,261)</u>	<u>532,097</u>	<u>96,218</u>
Total loans payable	9,576,074	-	(395,532)	9,180,542	450,272
Lease liabilities	120,214	96,231	(74,506)	141,939	52,529
Subscription liability	-	222,246	(61,735)	160,511	81,497
Total OPEB liability	<u>795,475</u>	<u>-</u>	<u>(310,107)</u>	<u>485,368</u>	<u>-</u>
Total noncurrent liabilities	<u>\$10,491,763</u>	<u>\$ 318,477</u>	<u>\$ (841,880)</u>	<u>\$ 9,968,360</u>	<u>\$ 584,298</u>

NORTH CAROLINA MEDICAL BOARD

Notes to the Financial Statements, continued

12. Commitments

The Board entered into an agreement with the North Carolina Medical Society to constitute a revised peer review agreement for the purpose of conducting an impaired physician program. This program is administered by North Carolina Professionals Health Program, Inc. (NCPHP), an affiliate of the North Carolina Medical Society. The program has been established for the identification of impaired physicians and physicians' assistants and to provide avenues for treatment programs and rehabilitation of impaired physicians. Expenditures made pursuant to the NCPHP program were \$1,468,843 and 1,424,935 for the years ended October 31, 2023 and 2022, respectively.

13. Risk Management

Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance.

14. Restatement of Note Disclosure

The classification of the fair value measurement (Note 4 *Fair Value Measurements*) for the investment in corporate bonds was incorrectly classified in the financial statements as of October 31, 2022. As such, the notes to the financial statements of the Board were restated at October 31, 2022 to accurately reflect the correct classification of the fair value measurements. This reclassification has no effect on net assets, changes in net assets, or cash flows for the year ended October 31, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CAROLINA MEDICAL BOARD

Schedule of Changes in the Total OPEB Liability and Related Ratios

Last Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 42,576	\$ 37,035	\$ 68,271	\$ 74,647	\$ 63,219	\$ 38,534
Interest	23,921	21,222	17,480	14,173	22,471	14,761
Change in actuarial assumptions	(1,830)	(347,698)	(4,284)	(29,501)	112,792	-
Contributions from employer	(24,505)	(17,866)	(9,278)	-	-	-
Additional expected benefit payments	<u>(4,846)</u>	<u>(2,800)</u>	<u>(21,693)</u>	<u>(6,014)</u>	<u>(12,477)</u>	<u>(6,483)</u>
Net change in total OPEB liability	35,316	(310,107)	50,496	53,305	186,005	46,812
Total OPEB liability— Beginning	<u>485,368</u>	<u>795,475</u>	<u>744,979</u>	<u>691,674</u>	<u>505,669</u>	<u>458,857</u>
Total OPEB liability— Ending	<u>\$ 520,684</u>	<u>\$ 485,368</u>	<u>\$ 795,475</u>	<u>\$ 744,979</u>	<u>\$ 691,674</u>	<u>\$ 505,669</u>
Covered payroll	\$ 7,398,076	\$ 5,843,588	\$ 5,231,858	\$ 5,166,196	\$ 5,101,051	\$ 4,815,541
Total OPEB liability as a percentage of covered payroll	7.04 %	8.31 %	15.20 %	14.42 %	13.56 %	10.50 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

NORTH CAROLINA MEDICAL BOARD

Schedule of OPEB Contributions

Last Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 24,505	\$ 17,866	\$ 9,278	\$ 6,014	\$ 12,477	\$ 6,483
Contributions in relation to the contractually required contribution	<u>(24,505)</u>	<u>(17,866)</u>	<u>(9,278)</u>	<u>(6,014)</u>	<u>(12,477)</u>	<u>(6,483)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Board's covered-employee payroll	\$ 7,398,076	\$ 5,843,588	\$ 5,231,858	\$ 5,166,196	\$ 5,101,051	\$ 4,815,541
Contributions as a percentage of covered-employee payroll	0.33 %	0.31 %	0.18 %	0.12 %	0.24 %	0.13 %

*The plan sponsor has not prefunded these benefits, nor is it required to do so. The Fiduciary Net Position, which is the market value of plan assets, is \$0.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

NORTH CAROLINA MEDICAL BOARD

Notes to the Required Supplementary Information

Last Six Fiscal Years

Changes in Assumptions

In fiscal year 2023, the discount rate increased from 4.85% to 5.10%. Per capita costs were updated in accordance with the maximum benefits as outlined by the plan. There were no changes in assumptions concerning salary increases, mortality rates, termination rates, retirement rates, retirement coverage, and medical trend rate.

In fiscal year 2022, the discount rate increased from 2.41% to 4.85%. The termination rate was updated to reflect higher expected rates. Retiree coverage assumption was updated to reflect lower expected participation. Per capita costs were updated in accordance with the maximum benefits as outlined by the plan. There were no changes in assumptions concerning salary increases, mortality rates, retirement rates, and medical trend rate.

In fiscal year 2021, the discount rate increased from 2.15% to 2.41%. The termination rate was updated to reflect higher expected rates. The mortality improvement assumption was updated from MP-2020 Projection Scale to MP-2021 Projection Scale. Per capita costs were updated in accordance with the maximum benefits as outlined by the plan. There were no changes in assumptions concerning salary increases, retirement rates, retirement coverage, and medical trend rate.

In fiscal year 2020, the discount rate decreased from 3.67% to 2.15%. The mortality improvement assumption was updated from MP-2019 Projection Scale to MP-2020 Projection Scale. Per capita costs were updated in accordance with the maximum benefits as outlined by the plan. There were no changes in assumptions concerning salary increases, termination rates, retirement rates, retirement coverage, and medical trend rate.

In fiscal year 2019, the discount rate decreased from 3.90% to 3.67%. The mortality improvement assumption was updated from RP-2014 White Collar Headcount-Weighted Mortality Table to the MP-2019 Projection Scale. Per capita costs were updated in accordance with the maximum benefits as outlined by the plan. There were no changes in assumptions concerning salary increases, termination rates, retirement rates, retirement coverage, and medical trend rate.

In fiscal year 2018, there were no changes in assumptions as it was first year of the plan.

*The amounts presented for each fiscal year were determined as of the year end that occurred on year prior.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.