

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

Financial Statements

Years ended December 31, 2024 and 2023



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

Board Members

BOARD MEMBERS (2024)

M. Randall Strother, Chairman

William H. Eubanks, Vice-Chairman

Patricia K. Selby, Secretary/Treasurer

Roberto A. Nunez

Hunter D. Edwards Jr.

Ronald "Joel" Long, Jr.

Jeffrey C. Farlow

EXECUTIVE DIRECTOR

Dale L. Dawson

LEGAL COUNSEL

John N. Fountain

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2024

Introduction

The following is a discussion and analysis of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors' (the "Board") financial statements for the year ended December 31, 2024. The accompanying financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous two years are presented in the analysis.

Financial Highlights

During 2024, the operating revenues of the Board increased by \$59,005 or 2.2%, primarily due to an increase in the number of licenses and exams.

During 2024, the operating expenses of the Board increased by \$246,352 or 9.8%, due primarily to increases in salaries and wages, examination costs and other postemployment benefits.

During 2024, net non-operating revenues were \$125,232 compared with \$34,285 in 2023. The increase is primarily due to an increase in interest earned and gain on sale of assets.

Overview of the Basic Financial Statements

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

Basic Financial Statements

The basic financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

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

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

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2024

Basic Financial Statements (Continued)

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

	2024	Restated 2023	2022
Current assets	\$ 3,735,684	\$ 3,625,165	\$ 3,438,758
Capital assets - net	1,540,332	1,570,816	1,596,805
Total assets	5,276,016	5,195,981	5,035,563
Deferred outflows of resources	50,773	79,939	176,842
Current liabilities	1,950,301	1,844,324	1,830,371
Noncurrent liabilities	(317,311)	(193,270)	(149,298)
Total liabilities	1,632,990	1,651,054	1,681,073
Deferred inflows of resources	111,852	84,073	89,793
Net position:			
Investment in capital assets	1,540,332	1,570,816	1,596,805
Unrestricted	2,041,615	1,969,977	1,844,734
Total net position	\$ 3,581,947	\$ 3,540,793	\$ 3,441,539
Operating revenues	\$ 2,683,779	\$ 2,624,774	\$ 2,504,122
Operating expenses	2,767,857	2,521,505	(2,519,000)
Operating income	(84,078)	103,269	5,023,122
Non-operating revenues	125,232	34,285	18,139
Changes in net position	\$ 41,154	\$ 137,554	\$ 5,041,261

Events Affecting Future Operations

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2024

Events Affecting Future Operations (Continued)

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

The Board established a Post-Employment Health Benefits Plan effective January 1, 2014. To fund the plan, the Board designated investments and made an initial contribution of \$75,000 in 2014, followed by annual contributions of \$25,000 from 2015 through 2018, \$10,000 in 2019, and \$50,000 in 2021. In December 2021, the Board created a tax-exempt, irrevocable trust and transferred the designated investments into the trust to fund the OPEB benefits. As of December 31, 2024, the fiduciary net position of the trust was \$614,326, while the actuarially measured OPEB liability totaled \$206,865, resulting in a net OPEB liability of \$(407,461). During 2024, the Board made additional contributions to the OPEB Trust totaling \$100,217.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors, 1109 Dresser Court, Raleigh, NC 27609.



Independent Auditor's Report

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

Opinion

We have audited the financial statements of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the "Board"), which comprise the statement of net position as of December 31, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors as of December 31, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements and Restatement

The financial statements of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors as of December 31, 2023, were audited by other auditors whose report dated April 14, 2024, expressed an unmodified opinion on those statements. As described in Note 9 to the financial statements, the Board has restated its 2023 financial statements for the implementation of GASB Statement No. 101, *Compensated Absences*. The other auditors reported on the 2023 financial statements prior to the restated adjustments.

As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2023 financial statements.. In our opinion, the adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the Board other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matters

As discussed in Note 1, the financial statements presented are only for the Board and do not purport to, and do not present fairly the financial position of the State of North Carolina as of December 31, 2024, or the changes in its financial position and its cashflows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Gidewell CAA, PLLC

Cary, North Carolina
April 11, 2025

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

Statements of Net Position

December 31, 2024 and 2023

	2024	Restated 2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,730,833	\$ 3,617,345
Prepaid expenses	4,851	7,820
Total current assets	<u>3,735,684</u>	<u>3,625,165</u>
Capital assets - net of depreciation:		
Land and building	1,329,817	1,379,810
Furniture, equipment, and software	44,135	46,895
Vehicles	166,380	144,111
Total capital assets - net of depreciation	<u>1,540,332</u>	<u>1,570,816</u>
Total assets	<u>5,276,016</u>	<u>5,195,981</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Other postemployment benefit deferrals	50,773	79,939
Total deferred outflows of resources	<u>50,773</u>	<u>79,939</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 68,958	\$ 59,284
Compensated absences - current portion	31,350	31,600
Unearned revenue	1,849,993	1,753,440
Total current liabilities	<u>1,950,301</u>	<u>1,844,324</u>
Noncurrent liabilities:		
Compensated absences - long-term portion	90,150	86,100
Net OPEB liability	(407,461)	(279,370)
Total noncurrent liabilities	<u>(317,311)</u>	<u>(193,270)</u>
Total liabilities	<u>1,632,990</u>	<u>1,651,054</u>
DEFERRED INFLOWS OF RESOURCES:		
Other postemployment benefit deferrals	111,852	84,073
Total deferred inflows of resources	<u>111,852</u>	<u>84,073</u>
NET POSITION:		
Investment in capital assets	1,540,332	1,570,816
Unrestricted	2,041,615	1,969,977
Total net position	<u>\$ 3,581,947</u>	<u>\$ 3,540,793</u>

See Notes to Financial Statements

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

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2024 and 2023

	2024	Restated 2023
Operating revenues:		
License fees	\$ 2,209,431	\$ 2,192,671
Examination and application fees	317,042	272,200
Late processing fees	14,265	14,750
Other operating revenues	143,041	145,153
Total operating revenues	<u>2,683,779</u>	<u>2,624,774</u>
Operating expenses:		
Salaries and wages	1,236,366	1,105,467
Payroll taxes	90,245	80,718
Retirement contributions	96,835	87,592
Employee insurance	146,964	137,942
Other postemployment benefits expense	29,071	7,311
Board members' expenses	47,725	59,026
Travel and lodging	69,568	68,776
Telephone	8,035	9,531
Depreciation	81,196	73,419
Computer support	33,613	34,549
Building maintenance and utilities	29,689	30,843
Examination costs	219,600	180,525
Hearing expenses	23,237	19,050
Office and computer expenses	108,614	95,884
Printing	59,915	57,603
Postage and shipping	13,584	12,444
Insurance	38,045	37,011
Dues and publications	4,040	5,068
Legal, audit and other professional fees	426,840	413,947
Continuing education expenses	4,675	4,799
Total operating expenses	<u>2,767,857</u>	<u>2,521,505</u>
Operating income	<u>(84,078)</u>	<u>103,269</u>
Non-operating revenues:		
Interest and dividends, net of fees	112,949	36,916
Net gain (loss) on sale of assets	12,283	(2,631)
Total non-operating revenues	<u>125,232</u>	<u>34,285</u>
Changes in net position	<u>41,154</u>	<u>137,554</u>
Net position - beginning of year - as originally reported	3,540,793	3,441,539
Restatement of beginning net position	-	(38,300)
Net position - beginning of year - as restated	<u>3,540,793</u>	<u>3,403,239</u>
Net position - end of year	<u>\$ 3,581,947</u>	<u>\$ 3,540,793</u>

See Notes to Financial Statements

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

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>Restated 2023</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,637,291	\$ 2,512,226
Cash received from other operating revenues	143,041	145,153
Cash payments to employees for services	(1,566,610)	(1,409,319)
Cash payments to suppliers of goods and services	(927,126)	(883,435)
Cash payments for other operating expenses	(147,411)	(156,719)
Net cash provided by operating activities	<u>139,185</u>	<u>207,906</u>
Cash flows from investing activities:		
Proceeds from sale of capital assets	12,283	-
Interest and dividends, net of fees	112,949	36,916
Net cash provided by investing activities	<u>125,232</u>	<u>36,916</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(50,712)	(50,061)
Contributions for Other Postemployment Benefits	(100,217)	-
Net cash used in capital and financing activities	<u>(150,929)</u>	<u>(50,061)</u>
Net increase in cash and cash equivalents	113,488	194,761
Cash and cash equivalents - beginning of year	3,617,345	3,422,584
Cash and cash equivalents - end of year	<u>\$ 3,730,833</u>	<u>\$ 3,617,345</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (84,078)	\$ 103,269
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Other postemployment benefits expense	29,071	7,311
Depreciation	81,196	73,419
Changes in assets and liabilities:		
Prepaid expenses	2,969	8,354
Accounts payable	9,674	(19,452)
Unearned revenue	96,553	32,605
Compensated absences	3,800	2,400
Total adjustments	<u>223,263</u>	<u>104,637</u>
Net cash provided by operating activities	<u>\$ 139,185</u>	<u>\$ 207,906</u>

See Notes to Financial Statements

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

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

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

The Board’s operations are financed with self-generated revenues from fees charged to examinees and licensees.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (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 recognized when a liability has been incurred, regardless of the timing of the cash flows.

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

Basis of Accounting (Continued)

The Board classifies its revenues as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

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

Changes in Financial Accounting and Reporting

During the year ended December 31, 2024, the Board adopted GASB Statement No. 101, *Compensated Absences* (GASB 101). This Statement establishes uniform recognition and measurement guidance for compensated absences, requiring that a liability be recognized when the leave is both earned and attributable to services already rendered. Additionally, a liability is recognized only if it is more likely than not that the leave will be either used or paid out. The liability is measured using the pay rates in effect as of the financial reporting date. The adoption of GASB 101 enhances comparability and consistency in financial reporting by simplifying the accounting for different types of leave.

Additionally, during the year ended December 31, 2024, the Board adopted GASB Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* (GASB 100). This Statement classifies accounting changes into three categories: changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. GASB 100 also establishes accounting and financial reporting requirements for each type of accounting change, as well as the correction of errors in previously issued financial statements. The new guidance clarifies the distinctions between these categories and provides updated requirements for retrospective and prospective application.

Cash and Cash Equivalents

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

Capital Assets

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

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

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

Unearned Revenue

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

Compensated Absences

Board employees may accumulate up to thirty days (240 hours) of earned vacation, which is fully vested when earned. A liability for vacation leave is recognized as employees earn the leave, and the balance is measured at current pay rates as of the financial statement date. Employees may participate in the Board's vacation leave buy-back program if they have at least 80 banked hours and have used a minimum of 40 hours of vacation in the prior twelve months. Eligible employees may sell back up to 80 hours of vacation time annually, provided they maintain a balance of at least 60 hours. The Board paid \$26,577 and \$25,686 under this program for the years ended December 31, 2024, and 2023, respectively.

The Board's sick leave policy allows for unlimited accumulation of earned sick leave, with full-time permanent employees earning 8 hours per month. Employees with at least 600 hours of accumulated sick leave may sell back up to 80 hours annually, provided they retain a minimum balance of 520 hours. Historically, eligible employees earn 96 hours of sick leave each year and sell back 80 hours at the end of the year. The Board paid \$29,978 and \$22,175 to employees under this program for the years ended December 31, 2024, and 2023, respectively.

Additionally, employees with at least 25 years of service are eligible to receive a payout upon retirement equal to 30% of their remaining sick leave balance at their final pay rate. A liability for this expected future payout is recognized based on employees who have met the service requirement and the sick leave balances as of the financial statement date.

Employees electing to participate in either buy-back program must notify the Board by November 15 of each year, with payments made on December 15.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statements of Net Position include separate sections for deferred outflows and deferred inflows of resources. The separate financial statement element called deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The Board has the following items that meet the criterion for this category: Other postemployment benefit deferrals which include differences between expected and actual experience, changes in assumptions, and net difference between projected and actual earnings on plan investments, as described in NOTE 6. The separate financial statement element called deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as income until then. The Board has the following item that meets the criterion for this category: Other postemployment benefit deferrals which include differences between expected and actual experience, and changes in assumptions, as described in NOTE 6.

Net OPEB Liability

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

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.

Net Position

The Board's net position is classified as follows:

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

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

NOTE 2 - DEPOSITS

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

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

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2024 are as follows:

	Cost 12/31/2023	Additions	Retirements	Cost 12/31/2024	Accum. Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,406,602	-	-	1,406,602	(576,785)	829,817
Furniture/ equipment	550,680	10,910	-	561,590	(517,455)	44,135
Vehicles	260,198	39,800	(42,815)	257,183	(90,803)	166,380
	<u>\$ 2,717,480</u>	<u>\$ 50,710</u>	<u>\$ (42,815)</u>	<u>\$ 2,725,375</u>	<u>\$ (1,185,043)</u>	<u>\$ 1,540,332</u>

Changes in capital assets for the year ended December 31, 2023 are as follows:

	Cost 12/31/2022	Additions	Retirements	Cost 12/31/2023	Accum. Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,406,602	-	-	1,406,602	(526,792)	879,810
Furniture/ equipment	550,680	-	-	550,680	(503,785)	46,895
Vehicles	213,880	50,061	(3,743)	260,198	(116,087)	144,111
	<u>\$ 2,671,162</u>	<u>\$ 50,061</u>	<u>\$ (3,743)</u>	<u>\$ 2,717,480</u>	<u>\$ (1,146,664)</u>	<u>\$ 1,570,816</u>

NOTE 4 - COMPENSATED ABSENCES

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

	2024	2023
Beginning accrued compensated absences	\$ 117,700	\$ 115,300
Compensated absences earned	90,876	81,228
Compensated absences used	(87,076)	(78,828)
Ending accrued compensated absences	<u>\$ 121,500</u>	<u>\$ 117,700</u>
Current Portion	<u>\$ 31,350</u>	<u>\$ 31,600</u>

NOTE 5 - RETIREMENT PLAN

In 1997, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 401(k). Participating employees must contribute at least 6% of their compensation each year, up to IRS deferral limitations. Additionally, the Board makes discretionary contributions to the plan. For the year ended December 31, 2024, the Board contributed 8.15% of employee compensation. During 2024 and 2023, voluntary contributions by employees were \$122,839 and \$112,874, respectively and the Board's contribution was \$96,835 and \$87,592, respectively. The employee's contributions are 100% vested immediately, and the Board's matching contributions are 100% vested after 5 years of credited service.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS

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

Effective December 1, 2021, the Board established the *State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors Trust for Other Post-Employment Benefits* (the "Trust"), an irrevocable tax-exempt trust, in order to finance the related benefits of the Plan in advance. The Trust consists of all contributions paid to it, all investment income and realized and unrealized gains and losses, less any amounts paid out of the Trust to pay reasonable expenses of maintaining the Trust.

Plan Description:

The Plan is a self-administered, single-employer plan. As noted above, the plan is administered through a trust that meets the criteria of GASB Statement No. 75 but does not issue a separate GASB 74 report. Significant terms of the Plan are as follows:

Employees retiring on or after age 60 and having completed 20 years but less than 25 years of Board service shall be eligible to receive a defined contribution from the Board of \$200 per month for health care costs.

Employees retiring on or after age 60 and having completed 25 years but less than 30 years of Board service shall be eligible to receive a defined contribution from the Board of \$335 per month for health care costs.

Employees retiring after completion of 30 years of Board service at any age shall be eligible to receive a defined contribution from the Board of \$535 per month for health care costs.

Retirees can elect a "surviving spouse" benefit. Electing this benefit will reduce the retiree monthly benefit by 10%, but the benefit is payable as a 100% Joint and Survivor benefit.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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

Changes in Plan Provisions Since the Prior Valuation : The monthly flat-dollar benefits were updated from \$161, \$269 and \$428 to \$200, \$335 and \$535, respectively. Additionally, the plan added the elective "surviving spouse" benefit.

Employees covered by the terms of the benefit at December 31, 2024:

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

Net OPEB Liability

At December 31, 2024, the Board reported a net OPEB liability of \$(407,461). The OPEB liability was measured as of December 31, 2024 and was determined by an actuarial valuation as of December 31, 2024. The net OPEB liability represents the total OPEB liability less the OPEB plan's fiduciary net position at December 31, as follows:

	2024	2023
Total OPEB liability	\$ 206,865	\$ 148,235
Fiduciary plan net position	(614,326)	(427,605)
Net OPEB liability	<u>\$ (407,461)</u>	<u>\$ (279,370)</u>

As of December 31, 2024, the fiduciary plan net positions consisting of plan assets held in trust totaled \$614,326, allocated 90.2% in equities and 9.8% in money market funds. The asset return net of investment expenses in 2024 was 18.11% compared to the assumed rate of return of 6.00%.

See the required supplementary information, Schedule of Changes in the Net OPEB Liability and Related Ratios for the current year changes in the net OPEB liability.

Assumption Changes: None.

Actuarial Assumptions: Key actuarial assumptions and methods that were used for the December 31, 2024 actuarial valuation are set forth below.

Discount Rate: As of December 31, 2024, the asset balance in the trust is sufficient to cover the expected obligations of the plan. Accordingly, pursuant to GASB 75 the discount rate may be the long term expected rate of return on assets, which was 6% at December 31, 2024 and 2023.

Long Term Expected Rate of Return on Assets: 6.00%

Retirement Rates: All participants are assumed to retire upon attainment of age 65 and 20 years of service.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Mortality Rates: For pre-retirement, the Pub-2010 General Employees Male and Female Mortality tables projected generationally with MP-2019 are used. For post retirement, the Pub-2010 General Retirees Mortality tables projected generationally with MP-2019 are used. The male rates are set forward 2 years and adjusted with the following factors: 80 and younger, 96.0%; age 81, 96.8%; age 82, 97.6%; age 83, 98.4%; age 84, 99.2%; age 85 and older, 100.0%. The female rates are adjusted with the following factors: 91 and younger, 100.0%; age 92, 102.5%; age 93, 105.0%; age 94, 107.5%; age 95 and older, 110.0%. Sample rates are shown below with the multipliers applied.

Age	Pre-Retirement		Post-Retirement	
	Male	Female	Male	Female
25	0.0280%	0.0090%		
30	0.0360%	0.0150%		
35	0.0470%	0.0230%		
40	0.0660%	0.0360%		
45	0.0980%	0.0560%		
50	0.1490%	0.0830%		
55	0.2190%	0.1230%	0.4771%	0.2860%
60	0.3190%	0.1860%	0.6845%	0.3840%
65	0.4680%	0.2960%	1.0637%	0.6130%
70	0.7030%	0.4890%	1.8278%	1.0630%
75	1.0960%	0.8080%	3.2266%	1.8830%
80	1.7300%	1.3300%	5.8099%	3.3600%

Disability: None assumed.

Termination Rates: None assumed.

Per Capita Claims Costs: Not applicable. Retirees are provided a flat dollar defined contribution amount to be applied to health care costs. These defined contribution amounts are based on age and service at retirement and are shown on page 19. In addition, all participants are assumed to retire on or after attainment of age 65; thus there is no implicit rate subsidy.

Medical Trend: N/A. The benefit is not related to the future cost of medical care.

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

Form of Payment: It is assumed that all retirees will elected a life annuity form of payment. This assumption will be monitored and adjusted, if necessary, based on actual retiree experience.

Marriage Percentage: N/A. All retirees are assumed to elect a life annuity form of payment.

Inflation Rate: 2.25% per year.

Salary Increases: 3.00% per year.

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

Changes in Assumptions Since the Prior Valuation: None

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

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
<u>\$ (378,104)</u>	<u>\$ (407,461)</u>	<u>\$ (432,334)</u>

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

Not applicable as the benefit provided is a Board defined flat dollar benefit. The Board may increase the amount of the defined distribution, but in no case may the Board decrease the defined contribution. Accordingly, there is no trend assumption.

Other Post Employment Benefit Expense

For the year ended December 31, 2024, OPEB expense is as follows:

Service cost	\$ 6,973
Interest on the total OPEB liability	8,894
Plan amendments	41,035
Expensed portion of current-period difference between expected and actual experience in the total OPEB liability	129
Expensed portion of current-period changes in assumptions	-
Expected earnings on plan investments	(28,663)
Expensed portion of current-period difference between expected and actual earnings on plan investments	(11,568)
Recognition of deferred inflows	(5,720)
Recognition of deferred outflows	17,991
OPEB expense	<u><u>\$ 29,071</u></u>

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At December 31, 2024, the Board reported deferred outflows and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 6,923	\$ (1,680)
Changes of assumptions	43,850	(76,673)
Net difference between projected and actual earnings on plan investments	-	(33,499)
	<u><u>\$ 50,773</u></u>	<u><u>\$ (111,852)</u></u>

NOTE 6 - OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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

Years ending December 31:	Deferred Outflows	Deferred Inflows
2025	\$ 6,552	\$ (5,720)
2026	6,550	(5,720)
2027	3,840	(33,072)
2028	3,840	(17,289)
2029	3,840	(5,720)
Thereafter	26,151	(44,331)
	<u>\$ 50,773</u>	<u>\$ (111,852)</u>

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's Public Officers' and Employees' Liability Insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes Board members, building and contents, commercial liability, workers compensation and employers' liability, and vehicle.

NOTE 8 - CONTINGENCIES

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

NOTE 9 - RESTATEMENT

During the year ended December 31, 2024, management implemented GASB Statement No. 101, Compensated Absences, which resulted in a change in the accounting method used for recognizing compensated absences. This change in accounting principle aligns the entity's reporting with the requirements of GASB Statement No. 101 and provides a more accurate representation of liabilities associated with compensated absences. As a result of this implementation, the beginning net position as of January 1, 2023, has been restated to reflect the cumulative effect of the change. The effects of the restatement on the financial statements as of and for the year ended December 31, 2023, are as follows:

	As Originally Reported	As Adjusted	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position:			
Salaries and wages	\$ 1,105,067	\$ 1,105,467	\$ 400
Net position - beginning of year	3,441,539	3,403,239	(38,300)
Statement of Net Position:			
Compensated absences - long-term portion	47,400	86,100	38,700

NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 11, 2025, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 70 hours at a cost of \$17,200.

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

Schedule of Changes in the Net OPEB Liability and Related Ratios

Year Ended December 31, 2024

	2024	2023	2022
Total OPEB liability			
Service cost	\$ 6,973	\$ 6,770	\$ 6,697
Interest	8,894	8,007	7,272
Benefit changes	41,035	-	-
Difference between expected and actual experience	1,728	-	(2,049)
Assumption changes	-	-	331
Net change in total OPEB liability	58,630	14,777	12,251
Total OPEB liability - beginning	148,235	133,458	121,207
Total OPEB liability - ending	<u>\$ 206,865</u>	<u>\$ 148,235</u>	<u>\$ 133,458</u>
Fiduciary Net Position			
Contributions - employer	\$ 100,217	\$ -	\$ -
Net investment income	86,504	98,649	(123,180)
Net change in Fiduciary Net Position	186,721	98,649	(123,180)
Fiduciary Net Position - beginning	427,605	328,956	452,136
Fiduciary Net Position - ending	<u>\$ 614,326</u>	<u>\$ 427,605</u>	<u>\$ 328,956</u>
Net OPEB Liability	<u>\$ (407,461)</u>	<u>\$ (279,370)</u>	<u>\$ (195,498)</u>
Covered-employee payroll	\$ 1,162,167	\$ 998,827	\$ 998,827
Net OPEB liability as a percentage of covered-employee payroll	-35.06%	-27.97%	-19.57%

**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.*