

**NEVADA STATE CONTRACTORS BOARD
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2019**

NEVADA STATE CONTRACTORS BOARD
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INDEPENDENT AUDITORS' REPORT

To the Board Members
Nevada State Contractors Board
Reno, Nevada

We have audited the accompanying financial statements of the Nevada State Contractors Board (the Board), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada State Contractors Board as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 24, respectively, 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 management discussion and analysis 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.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Nevada State Contractors Board. The supplementary Schedules I and II are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

J.A. Solari & Partners, LLC

Reno, Nevada
August 12, 2019

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018**

As management of the State Contractors Board (the Board), we offer readers of the Board's financial statements, this narrative overview and analysis of the financial activities of the Board for the fiscal years ended June 30, 2019 and 2018 in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. We encourage the readers to consider this information in conjunction with the Board's financial statements and notes, which are attached to this report.

FINANCIAL HIGHLIGHTS

- The Board's assets exceeded liabilities at the close of the fiscal year by \$7,293,761 (reported as net position). Of this amount, \$1,015,089 was invested in capital assets.
- Total revenue realized during year ended June 30, 2019 increased by \$234,589 when compared to the prior year total of \$6,573,385. The overall increase in revenue was largely due to an increase in License Renewals, New Licenses Issued, New Application Fees and License Changes. Because the Board's renewal fees and New License Issued Fees are biennial, an additional \$2,583,788 in fees were collected from advanced license payments and will be recognized in the next fiscal year.
- The Board's total net position decreased by \$475,846 during the year ended June 30, 2019; during the year ended June 30, 2018, the net position had decreased by \$513,553. The June 30, 2019 decrease was predominately due to an increase in Wages, Health Insurance costs, Rent Expense and Computer Expenses.
- Purchases of capital assets were \$99,005 in 2019 compared to \$372,179 in 2018. The Board's cash was used for the purchases; no debt was incurred.
- The Board's current liabilities increased by \$48,803 from the June 30, 2018 amount of \$2,870,651. This increase was due to an increase in deferred revenue and Compensated Absences Payable.
- Total net position is comprised of the following as of June 30, 2019
 1. Cash, certificates of deposit, capital assets (net of accumulated depreciation), and prepaid expenses. Cash bonds accounts in the amount of \$5,177,823 are offset by a corresponding liability of the same amount.
 2. Unrestricted net position represents the portion available to maintain the Board's current and future obligations and operations. At the end of the current fiscal year, the unrestricted net position for the governmental fund was \$6,278,672 or 86.2% of total governmental fund expenditures.

NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of these components:

1. The Governmental Fund financial statements;
2. Notes to the financial statements; and
3. Supplementary information.

The financial statements differentiate activities of the Board that are principally supported from regulatory type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The activities of the Board include public protection through regulation and licensing of contractors conducting business in the State of Nevada.

THE BOARD'S FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the Board's finances, using both the modified accrual basis of accounting and the full accrual basis.

The *Governmental Fund Balance Sheet and Statement of Net Position* presents information on the assets and liabilities of the Board as a whole. The difference between assets and liabilities is reported as net position. Changes in net position may serve over time as a useful indicator of whether the Board's financial position is improving or deteriorating.

The *Governmental Fund Revenue, Expenditures, Changes in Fund Balance and Statement of Activities* present information showing how the Board's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of when the cash is received or paid. The Governmental Fund Revenue, Expenditures, Changes in Fund Balance and Statement of Activities illustrate how the Board's primary activities are reliant on revenues provided by the licensing process.

The accompanying *Notes to the Financial Statements* provide additional information that is useful for a more complete understanding of the Board's financial statements.

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
CONDENSED STATEMENTS OF NET POSITION**

	2019 Actual Government-wide	2018 Actual Government-wide
ASSETS		
Cash and investments	\$ 8,975,603	\$ 9,223,677
Prepaid expenses	212,458	206,050
Due from other agencies	10,065	22,240
Capital assets, net	1,015,089	1,188,291
Restricted cash	5,177,823	5,468,468
Total assets	15,391,038	16,108,726
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
Total assets and deferred outflows of resources	15,391,038	16,108,726
LIABILITIES		
Current liabilities	2,919,454	2,870,651
Non-current liabilities	5,177,823	5,468,468
Total Liabilities	8,097,277	8,339,119
DEFERRED INFLOWS OF RESOURCES		
	-	-
Total liabilities and deferred inflows of resources	8,097,277	8,339,119
NET POSITION		
Net investment in capital assets, net	1,015,089	1,188,291
Unrestricted	6,278,672	6,581,316
Total net position	\$ 7,293,761	\$ 7,769,607

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
CONDENSED STATEMENTS OF ACTIVITIES**

	2019 Actual Government-wide	2018 Actual Government-wide
Program Revenues	\$ 6,783,930	\$ 6,557,068
Operating Expenditures/Expenses		
Contractors board operations	7,283,820	7,086,938
Income from operations	(499,890)	(529,870)
General Revenues		
Gain on sales of capital assets	9,102	1,360
Interest income	14,942	14,957
Income from non-operating revenues	24,044	16,317
Change in Net Position	(475,846)	(513,553)
Net Position at Beginning of Year	7,769,607	8,283,160
Net Position at End of Year	\$ 7,293,761	\$ 7,769,607

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Fiduciary Funds:

The Board acts as a trustee or fiduciary for the Residential Recovery Fund (Recovery Fund). Recovery Fund Assessments collected from applicants and licensees are used to pay third party claims against licensed contractors. The Board administers the Recovery Fund, which reimburse an injured consumer up to \$35,000 in financial losses resulting from a licensed residential contractor’s actions with an aggregate amount of \$400,000 per licensee. Administrative expenses for the recovery fund consist of board expenses allocated to investigate and process claims and conduct hearings. On October 1, 2019, the maximum amount an injured consumer may receive will be increased to \$40,000 and the maximum a residential contractor can be charged will be increased to an aggregate amount of \$750,000 or 20 percent of the current balance of the Recovery Fund.

Additionally, the Board acts as an agent for the Construction Education Fund. All revenues are the result of money collected from the imposition of fines and contributions from applicants and licensees. This revenue is deposited with the State Treasurer for credit to the Construction Education Account.

The Board includes the following *Supplementary Information* in its financial statements:

Budget Comparison

The Board presents as supplementary information a budget comparison schedule using a format similar to the *Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net position may serve as the most useful indicator of the Board’s financial position as a whole.

CONDENSED STATEMENT OF NET POSITION (BALANCE SHEET)							
JUNE 30, 2019, 2018 and 2017							
				2019 vs 2018		2018 vs 2017	
	2019	2018	2017	\$	%	\$	%
Current and other assets	\$ 14,375,949	\$ 14,920,435	\$ 15,392,911	\$ (544,486)	-3.6%	\$ (472,476)	-3.1%
Capital assets	1,015,089	1,188,291	1,358,680	(173,202)	-14.6%	(170,389)	-12.5%
Total Assets	15,391,038	16,108,726	16,751,591	(717,688)	-4.5%	(642,865)	-3.8%
Total liabilities	8,097,277	8,339,119	8,468,431	(241,842)	-2.9%	(129,312)	-1.5%
Invested in capital assets	1,015,089	1,188,291	1,358,680	(173,202)	-14.6%	(170,389)	-12.5%
Unrestricted net Position	6,278,672	6,581,316	6,924,480	(302,644)	-4.6%	(343,164)	-5.0%
Total Net Position	\$ 7,293,761	\$ 7,769,607	\$ 8,283,160	\$ (475,846)	-6.1%	\$ (513,553)	-6.2%

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE (Continued)

The Board's overall financial position has decreased by \$475,846 during fiscal year 2018-2019. The financial net position decreased by \$513,553 in fiscal year 2017-2018.

The specific nature or source of changes in net position becomes more evident in the Board's Statements of Revenues, Expenses, and Changes in Net Position as shown in the following table:

CONDENSED STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE							
YEARS ENDED JUNE 30, 2019, 2018 AND 2017							
				2019 vs 2018		2018 vs 2017	
	2019	2018	2017	\$	%	\$	%
REVENUES:							
Operating revenues	\$ 6,793,032	\$ 6,558,428	\$ 6,487,816	\$ 234,604	3.6%	\$ 70,612	1.1%
Other income	14,942	14,957	16,003	(15)	-0.1%	(1,046)	-6.5%
Total Income	6,807,974	6,573,385	6,503,819	234,589	3.6%	69,566	1.1%
EXPENSES:							
Personnel	4,678,343	4,528,248	4,498,954	150,095	3.3%	29,294	0.7%
Rent	677,769	567,815	454,370	109,954	19.4%	113,445	25.0%
Operations	1,927,708	1,990,875	1,535,212	(63,167)	-3.2%	455,663	29.7%
Total Expenses	7,283,820	7,086,938	6,488,536	196,882	2.8%	598,402	9.2%
Change in Net Position	(475,846)	(513,553)	15,283	37,707	-7.3%	(528,836)	-3460.3%
Net Position, Beginning	7,769,607	8,283,160	8,267,877	(513,553)	-6.2%	15,283	0.2%
Net Position, Ending	\$ 7,293,761	\$ 7,769,607	\$ 8,283,160	\$ (475,846)	-6.1%	\$ (513,553)	-6.2%

REVENUES

Operating revenues increased by \$234,604 in fiscal year 2018-2019 compared to a \$70,612 increase in the prior fiscal year. Prior to fiscal year 2017-2018 a decrease of \$46,248 was realized. An additional \$2,583,788 in fees was collected in advance to be recognized in the next fiscal year due to the collection of biennial fees.

License Renewals

From fiscal year end 2015 to 2019 renewal revenue has increased by \$42,867. Renewal revenues have exceeded \$4,100,000 per year. Fiscal year 2018-2019 renewal revenue has increased by \$65,537 from the prior year. Due to the current economic trends in the construction industry, the 2019-2020 renewal revenue has the possibility to realize an increase.

Applications and New Licenses

Application fees have increased \$146,500 or 32.4% over the past five-year period. Revenue for the fiscal year 2018-2019 was \$598,200, an increase of \$76,650 from the prior year. Due to the current economy, an increase in new licenses is anticipated for FY 2019-2020.

During a five-year period spanning fiscal years 2015 through 2019, New License revenue has increased 20.6%, or \$130,115. New license revenue for the year ended June 30, 2019, was \$760,565 which was a 9.0% increase over the prior year. Due to the current economy

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT’S DISCUSSION AND ANALYSIS**

REVENUES (Continued)

and the increase in construction activity, the Board is projecting a slight increase in income for FY 2019-2020.

License Changes

License Change revenue has increased by \$88,850 from 2015 through 2019. Revenue totaled \$484,700 for the year ended June 30, 2019, an increase of \$57,775, or 13.5% compared to the prior year. With the continued upswing in construction activity, the Board anticipates a continued increase in FY 2019-2020.

Non-operating revenue

The safeguarding and maintenance of the Board's most liquid assets is a priority. Investment income is earned through prudent investment of the Board's idle cash. All investments are made in accordance with Nevada's statutory requirements. Fiscal years ended June 30, 2019, 2018 & 2017, earned \$14,942, \$14,957 and \$16,003, respectively.

The following charts depict the revenue components of the Board and show a five-year comparison of the Board's significant revenue components:

Five Year Revenue Comparison						
	<u>License Renewals</u>	<u>New Licenses</u>	<u>Application Fees</u>	<u>License Changes</u>	<u>Recovered Costs</u>	<u>Total</u>
2015	4,213,773	630,450	451,700	395,850	757,236	\$ 6,449,009
2016	4,218,590	674,550	474,350	377,350	627,975	\$ 6,372,815
2017	4,220,600	694,925	483,650	423,175	504,129	\$ 6,326,479
2018	4,191,103	694,650	521,550	426,925	540,388	\$ 6,374,616
2019	<u>4,256,640</u>	<u>760,565</u>	<u>598,200</u>	<u>484,700</u>	<u>507,881</u>	<u>\$ 6,607,986</u>
	<u>\$ 21,100,706</u>	<u>\$ 3,455,140</u>	<u>\$ 2,529,450</u>	<u>\$ 2,108,000</u>	<u>\$ 2,937,609</u>	<u>\$ 32,130,905</u>
5 Year Increase (Decrease)	<u>\$ 42,867</u>	<u>\$ 130,115</u>	<u>\$ 146,500</u>	<u>\$ 88,850</u>	<u>\$ (249,355)</u>	<u>\$ 158,977</u>
	<u>1.0%</u>	<u>20.6%</u>	<u>32.4%</u>	<u>22.4%</u>	<u>-32.9%</u>	<u>2.5%</u>

Recovery Fund Assessment Fees

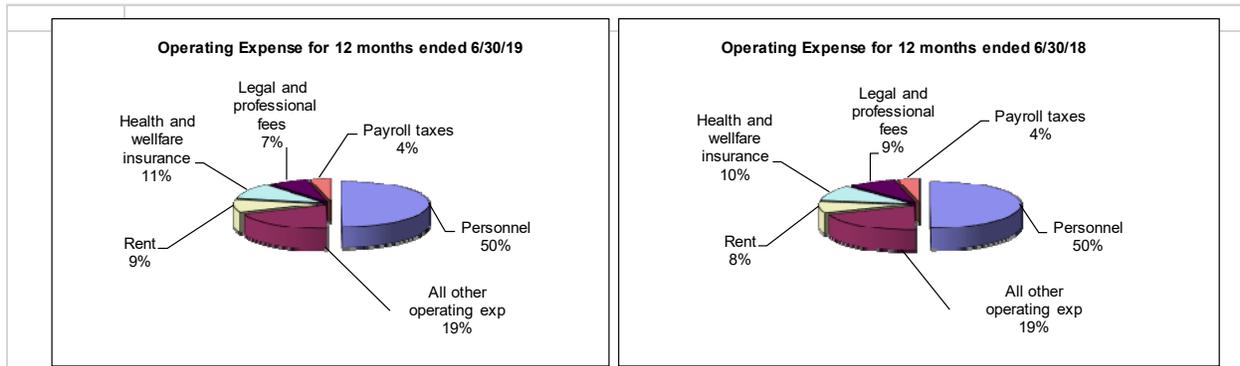
Recovery Fund Revenue and Recapture for the year ended June 30, 2019 of \$645,785 is a decrease of \$156,289 or approximately 19.5% over the 2018 revenue of \$802,074. On January 1, 2015 the Board decreased the Recovery Fund assessments to residential contractors by approximately 20.0%.

NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPENDITURES

Operating expenses increased by \$196,822 in 2018-2019, with the largest increases in Salaries, Health & Welfare, Rent, and Computer Expense of \$76,917, \$48,580, \$109,954, and \$34,449 respectively.

The following charts depict the expense components of the Board:



BUDGETARY HIGHLIGHTS

The Board's expenditure budget for the fiscal year ending June 30, 2019 was approximately \$7.3 million, representing an approximate increase of \$180,960 over the June 30, 2018 budget. The majority of that increase was due to the increase in expenses relating to the new licensing and enforcement operating system. The 2018 budget reflected a \$28,050 increase compared to the 2017 budget. The Board also budgeted approximately \$324,000 for capital expenditures of which only \$95,802 was spent due to the ongoing update of the Board's IT infrastructure.

The Board's budget included appropriations of prior years accumulated fund balance in support of the Board's plan for unknown contingencies, facility repair and maintenance, and equipment replacement.

The Board continues to address its evolving technology needs and provided funding to complete the Board's integrated system database, replacement of computer/peripheral equipment and upgrade the phone system to maintain the Board's technology infrastructure. The Governmental Fund complied with financial policies approved by the Board and maintained core services.

CAPITAL ASSETS

The Board capitalizes asset acquisitions that exceed \$1,000 and have a useful life that is more than one year.

The Board's investment in capital assets, net of accumulated depreciation as of June 30, 2019 and 2018 was \$1,015,089 and \$1,188,291, respectively.

Capital asset additions during 2019 were comprised of office furniture and fixtures in the amount of \$3,203, computer equipment purchases of \$26,392 and vehicles in the amount of

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT’S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS (Continued)

\$69,410. Prior year additions included the purchase of office furniture and fixtures of \$3,594, office improvements of \$183,681 and computer equipment for \$184,904.

The following table depicts a comparison of the capital assets of the Board:

CAPITAL ASSETS							
JUNE 30, 2019, 2018 AND 2017							
				2019 vs 2018		2018 vs 2017	
	2019	2018	2017	\$	%	\$	%
Improvements	\$ 599,460	\$ 599,460	\$ 415,779	\$ -	0.0%	\$ 183,681	44.2%
Furniture and equipment	483,496	480,293	476,701	3,203	0.7%	3,592	0.8%
Computer equipment	2,083,804	2,057,411	2,148,316	26,393	1.3%	(90,905)	-4.2%
Vehicles	453,527	458,472	458,472	(4,945)	-1.1%	-	0.0%
	3,620,287	3,595,636	3,499,268	24,651	0.7%	96,368	2.8%
Less accumulated depreciation	(2,605,198)	(2,407,345)	(2,140,589)	(197,853)	8.2%	(266,756)	12.5%
	\$ 1,015,089	\$ 1,188,291	\$ 1,358,679	\$ (173,202)	-14.6%	\$ (170,388)	-12.5%

ECONOMIC ENVIRONMENT AND NEXT YEAR’S BUDGET

Nevada has been experiencing an upswing in construction activity. Revenue has realized an increase in License Renewals, Application Fees and New Licenses Issued. Because of these increases and the increase in several large construction projects, the Board anticipates an increase in several revenue sources during the next fiscal year.

When compared to the fiscal year 2018-2019, the Board’s budgeted expenditures for fiscal year 2019-2020 general operating costs have been adjusted to compensate for the increase in Payroll/Payroll Tax, Rent, Health Insurance costs, IT upgrades and Depreciation.

Budgeted Capital Outlay

Other budgeted capital outlays for fiscal year 2019-2020 will include:

Upgrade in Scanning and Document Storage – Budgeted at \$207,480.

Upgrade in IT Security - Budgeted at \$61,426.

Upgrade in Phone and Call Center – Budgeted at \$380,347.

Mobile Computing for SIU Department – Budgeted at \$45,782.

Office Furniture – Budgeted at \$24,050.

Vehicles – The Board will be replacing several older vehicles in fiscal year 2019-2020 for a cost of approximately \$80,000.

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGET (Continued)

Budgeted Unrestricted Net Position

2019-20 budgeted average monthly operating costs of \$644,350 results in a twelve-month required operating reserve of \$7,732,200, per board policy.

**NEVADA STATE CONTRACTORS BOARD
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 8,975,603	\$ -	\$ 8,975,603
Prepaid expenses	-	212,458	212,458
Due from other agencies	-	10,065	10,065
Capital assets, net	-	1,015,089	1,015,089
Restricted cash	5,177,823	-	5,177,823
Total assets	14,153,426	1,237,612	15,391,038
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
Total assets and deferred outflows of resources	\$ 14,153,426	\$ 1,237,612	\$ 15,391,038
LIABILITIES			
Current liabilities			
Accounts payable	\$ 29,074	\$ -	\$ 29,074
Due to other agencies	-	129,919	129,919
Accrued payroll and payroll taxes	16,368	-	16,368
Other accrued liabilities	3,210	-	3,210
Compensated absences payable	-	157,095	157,095
Licensing fees received in advance	2,583,788	-	2,583,788
Total current liabilities	2,632,440	287,014	2,919,454
Non-current liabilities			
Refundable security bonds	5,177,823	-	5,177,823
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
Total liabilities and deferred inflows of resources	7,810,263	287,014	8,097,277
FUND BALANCE/NET POSITION			
Fund Balance - Unassigned	6,343,163	(6,343,163)	-
Total liabilities and fund balance	\$ 14,153,426		
Net Position			
Net investment in capital assets, net		1,015,089	1,015,089
Unrestricted		6,278,672	6,278,672
Total net position		\$ 7,293,761	\$ 7,293,761

See accompanying notes

**NEVADA STATE CONTRACTORS BOARD
GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Activities</u>
Program Revenues	\$ 6,783,930	\$ -	\$ 6,783,930
Operating Expenditures/Expenses			
Contractors board operations	6,970,129	313,691	7,283,820
Capital outlay	99,005	(99,005)	-
Income from operations	(285,204)	(214,686)	(499,890)
General Revenues			
Gain on sales of capital assets	9,102	-	9,102
Interest income	14,942	-	14,942
Income from non-operating revenues	24,044	-	24,044
Change in Net Position	(261,160)	(214,686)	(475,846)
Net Position at Beginning of Year	6,604,323	1,165,284	7,769,607
Net Position at End of Year	\$ 6,343,163	\$ 950,598	\$ 7,293,761

See accompanying notes

**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada State Contractors Board (the Board) was established by Nevada Revised Statutes (NRS) Chapter 624, and is granted independent authority. There are seven members on the board and they are appointed by the Governor of the State of Nevada. The Board has two principal locations in Reno and Henderson, Nevada.

The purpose of the Board is to safeguard the health, safety, and general welfare of persons dealing with those engaged in the construction industry by affording protection to the public from unreliable, fraudulent, financially irresponsible, or incompetent contractors. The Board licenses contractors and enforces disciplinary penalties for violations of the State Contractors' Act, thereby giving the public some assurance that licensed contractors will be responsible and competent.

The financial statements of the Board have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

A summary of the Board's significant accounting policies applied in the preparation of the accompanying financial statements follows.

a. Basis of Presentation

The Board is defined as a single program special-purpose entity under GASB Statement No. 14, paragraph 131 as amended by GASB Statement No. 39. This classification allows for the preparation of GASB 34 financial statements under an optional reporting method which combines the fund and government-wide statements into a single presentation. Under standard GASB 34 methodology, the government-wide statement of net position and statement of activities are presented independently from the respective fund balance sheet and statement of revenues, expenditures, and fund balance. A reconciliation of adjustments provided on the modified financial statements demonstrates the changes from the fund financial statements to the government-wide financial statements in order to assist the reader in evaluating these statements. The board has utilized this optional method of presentation.

b. Fund Accounting

Under Chapter 624.140 of the Nevada Revised Statutes, the general fund of the Board is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures to be used solely for the Board's benefit. According to statute, any money deposited to Nevada State Board of Contractors does not revert to the State of Nevada's general fund. The net assets of the general fund are restricted solely to be used by the Board to meet its obligation of licensing and regulating contractors in the state of Nevada.

c. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Board has only governmental fund types.

Income from operations includes revenues earned and expenses incurred related to the primary, continuing operations of the Board. The primary sources of revenue are licensing, registration, and application fees from contractors, penalties and recovered costs, bidder’s preference application fees, license changes, administrative citation fees, and cash bond administrative fees. Principal operating expenses represent the cost of providing goods or services and include administrative expenses and depreciation of capital assets.

d. Revenue Recognition

Generally, revenues are deemed earned and are recognized when the Board has an enforceable legal claim to the amounts charged, which occurs when cash payment is received from licensees. However, in 2007, the Nevada Legislature revised NRS 624.280 – 624.283 to permit biennial license renewals. A system of staggering biennial renewals was implemented beginning January, 2008 and was fully implemented as of June 30, 2009 so that all licensees now renew licenses on a biennial basis. Since the biennial license renewal fees cover more than one accounting period when collected, the Board’s policy is to recognize a portion of these revenues over the renewal period, which includes future accounting periods.

e. Budgetary Data

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year by the Board. The budget is prepared using the same generally accepted accounting principles as used in preparing the financial statements.

f. Cash and Investments

Cash is maintained in commercial banks located in Nevada. Cash accounts are maintained and available to meet current operating requirements and are readily identifiable. Cash in excess of current requirements is invested in various interest-bearing investment accounts as allowed by statute.

g. Capital Assets

Capital assets, consisting of leasehold improvements, furniture and equipment, and vehicles are reported in the net asset column in the government-wide financial statements and are presented at cost. Depreciation is calculated using the straight-line

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

method based upon the estimated useful lives of assets, generally 5 to 39 years. The Board's policy is to capitalize acquisitions with a cost of \$1,000 or more. Repairs and maintenance which are not considered betterments and do not extend the useful life of property and equipment are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in non-operating income.

Under the modified accrual basis of accounting, acquisitions are considered expenditures in the year purchased.

h. Compensated Absences

Employees of the Board are entitled to compensated absences depending on job classification, length of service, and other factors. For the government-wide presentation, an accrual for accumulated and vested vacation and other paid time off has been established as a liability in the accompanying financial statements. It is the Board's policy to recognize the costs for sick days and administrative leave when taken by employees.

i. Net Position

Unrestricted net position represents the amount available for budgeting future operations.

j. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments as of June 30, 2019, were as follows:

Governmental fund	
Cash and investments	\$ 8,975,603
<u>Restricted cash</u>	<u>5,177,823</u>
	<u>\$ 14,153,426</u>

Investments included above as of June 30, 2019, were as follows:

<u>Certificates of deposit</u>	<u>\$ 1,129,810</u>
	<u>\$ 1,129,810</u>

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk and Custodial Credit Risk

The Board maintains cash and investment accounts in commercial banks located in Nevada. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Where accounts at a single institution are in excess of insured limits, balances are collateralized. As of June 30, 2019, the Board's uninsured but collateralized balances were \$14,367,920.

All pledged collateral is pledged by Bank of America and held at the Federal Reserve Bank in the Board's name.

NOTE 3 – RESTRICTED CASH AND REFUNDABLE SECURITY BONDS

Cash bonds may be posted in lieu of a surety bond as provided by NRS 624.270. Restricted cash consists of amounts held by the Board in interest bearing accounts that are not available for use in operations, and based on refundability criteria, also represent a liability of the Board. The original cash deposit and earned interest are refunded to individual contractors when the security bond requirement period lapses. As of June 30, 2019, the Board's restricted cash and liability for security bonds was \$5,177,823.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2019</u>
Depreciable				
Leasehold improvements	\$ 599,460	\$ -	\$ -	\$ 599,460
Furniture and equipment	2,537,707	29,595	-	2,567,302
Vehicles	458,473	69,410	(74,355)	453,528
	<u>3,595,640</u>	<u>99,005</u>		<u>3,620,290</u>
Less accumulated depreciation	(2,407,349)	(272,207)	74,355	(2,605,201)
	<u>\$ 1,188,291</u>	<u>\$ (173,202)</u>	<u>\$ -</u>	<u>\$ 1,015,089</u>

NOTE 5 – OPERATING LEASE

The Board currently leases office spaces in both Reno, Nevada and Henderson, Nevada.

On March 6, 2017, the Board executed a ten and a half (10.5) year lease for a new office space located in Reno, Nevada. The lease is effective July 1, 2017 and expires December 31, 2027. Rent expense for the Reno office for the year ended June 30, 2019 was \$259,066.

On September 1, 2016, the Board executed an amended five (5) year lease renewal for the office space located in Henderson, Nevada. The lease became effective December 1, 2016 and

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – OPERATING LEASE (Continued)

expires November 30, 2021. Rent expense for the Henderson office for the year ended June 30, 2019 was \$418,703.

The combined minimum rental commitments under these non-cancellable long-term operating leases for the periods ending June 30 are as follows:

2020	\$	693,614
2021		715,831
2022		468,183
2023		285,431
2024		318,883
2025		327,636
2026		335,139
2027		343,893
<u>2028</u>		<u>176,323</u>
		<u>\$ 3,664,933</u>

NOTE 6 – PENSION PLAN

The Board contributes to the Nevada State Contractors Board Money Purchase Pension Plan (the Plan), a defined contribution plan, for its employees that meet a one-year service requirement. The Plan is administered by MassMutual Financial Group.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board. For each eligible employee in the pension plan, the Board is required to contribute 9% of covered compensation. Employees are not permitted to make contributions to the pension plan. The total pension expense for the year ended June 30, 2019 was \$283,428.

Employees are vested in the Board's contributions and earnings after 60 months of service with the Board.

The Board also sponsors a deferred compensation plan which is available to all eligible employees, who may elect a salary deferral on a calendar year basis. The deferral for 2019 was a maximum \$19,000 per employee (\$25,000 if over age 50). There is no employer matching contribution.

NOTE 7 – FIDUCIARY FUNDS

The Board acts in an agency capacity on behalf of the Commission on Construction Education (the Commission) with respect to its Construction Education Fund (the Fund). The Commission and the Fund were established by NRS 624.570 – 624.580. The Board collects fines and contributions on behalf of the Commission for deposit into the Fund, which is maintained through the State of Nevada General Fund. On a quarterly basis, the Board remits these amounts to the State Treasurer, net of a 5% administrative fee.

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – FIDUCIARY FUNDS (Continued)

The Board serves in a trustee capacity for the Residential Construction Recovery Fund (the Recovery Fund) as provided for by NRS 624.470. The Recovery Fund was established to pay eligible claims made by owners of single-family residences who have suffered damages due to the failure of a licensed residential contractor to adequately perform qualified services. The Recovery Fund is funded by the Board's licensees through annual assessments. Use of these assessments is restricted to the payment of eligible claims and for other limited purposes as described in NRS 624.540.

Amounts due to other agencies as of June 30, 2019, were as follows:

Construction Education Fund	\$ 27,305
<u>Residential Construction Recovery Fund</u>	<u>102,614</u>
	<u>\$ 129,919</u>

The Board charges the Recovery Fund for personnel and other costs incurred in administering the Recovery Fund. Total charges were \$40,392 for the year ending June 30, 2019. Of this, \$10,065 were due from that agency as of June 30, 2019.

The Recovery Fund is considered a private-purpose trust fund for financial reporting purposes. In accordance with NRS 624.540, the Recovery Fund's financial position and activities are reported in separately issued financial statements, which are available by contacting the Nevada State Contractors Board at 5390 Kietzke Lane, Suite 100, Reno, Nevada, 89511.

NOTE 8 – CONTINGENCIES

The Board, in the normal course of its activities, is involved in various claims and litigation. The Board currently has claims and lawsuits pending which could ultimately result in a liability to the Board. The ultimate settlement cannot be reasonably estimated at this time; however, management believes that results of such litigation would not materially affect the financial statements of the Board.

NOTE 9 – COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

The Board conformed to all significant statutory constraints on its financial administration during the fiscal year.

NOTE 10 – CONVERSION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Adjustments on the face of the financial statements were made to the fund balance sheet and statement of revenue, expenditures, and changes in fund balance in order to reconcile the fund financial statements to the government-wide statements of net position and activities. These adjustments detail the effect of amounts due from other agencies of \$10,065, prepaid expenses of \$212,458, the capitalization of fixed assets of \$3,620,287, accumulated depreciation of \$2,605,198, depreciation expense of \$272,207, the recognition of liabilities for amounts due to other agencies of \$129,919, and compensated absences of \$157,095.

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 12, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**REQUIRED SUPPLEMENTARY
INFORMATION**

NEVADA STATE CONTRACTORS BOARD
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual Amounts	Variance to Final Budget
Operating Revenue			
Application fees	\$ 600,000	\$ 598,200	\$ (1,800)
Bidders preference	150,000	128,900	(21,100)
License changes	500,000	484,700	(15,300)
License renewals	4,350,000	4,256,640	(93,360)
New licenses	800,000	760,565	(39,435)
Other income	225,900	47,044	(178,856)
Penalties and recovered costs	800,000	507,881	(292,119)
Total operating revenue	7,425,900	6,783,930	(641,970)
Expenditures			
Current Expenditures			
Auto	101,000	105,643	(4,643)
Board member compensation	17,000	15,750	1,250
Board member travel	14,500	18,076	(3,576)
Computer	370,000	445,031	(75,031)
Depreciation	270,000	272,207	(2,207)
Dues and subscriptions	5,700	6,971	(1,271)
Education and training	37,000	16,866	20,134
Employee travel	39,000	46,615	(7,615)
Equipment lease	86,000	53,680	32,320
Freight	4,700	4,790	(90)
Health and welfare insurance	710,000	756,981	(46,981)
Legal fees	175,000	205,998	(30,998)
Office	157,700	185,928	(28,228)
Other insurance	50,000	29,681	20,319
Payroll taxes	293,000	292,653	347
Pension plan	270,000	283,428	(13,428)
Postage and printing	78,000	82,637	(4,637)
Professional services	265,000	336,108	(71,108)
Public information program	25,000	12,654	12,346
Rent	678,000	677,769	231
Salaries and wages	3,620,000	3,345,280	274,720
Telephone	120,000	89,074	30,926
Total Current Expenditures	7,386,600	7,283,820	102,780
Capital Outlay			
Automobiles	80,000	69,410	10,590
Computer equipment and software	244,000	26,392	217,608
Office equipment	-	3,203	(3,203)
Total Capital Outlay	324,000	99,005	224,995
Non Operating Revenue			
Gain on sales of capital assets	-	9,102	9,102
Interest income	15,000	14,942	(58)
Total Non Operating Revenue	15,000	24,044	9,044
Excess (Deficiency) of Revenue Over Expenditures	\$ (269,700)	\$ (574,851)	\$ (305,151)

See accompanying notes

SUPPLEMENTARY SCHEDULES

**NEVADA STATE CONTRACTORS BOARD
SCHEDULE I - OPERATING REVENUE
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Application fees	\$ 598,200	\$ 521,550
Bidders preference fees	128,900	135,500
License changes	484,700	426,925
License renewals	4,256,640	4,191,103
New licenses	760,565	694,650
Other income	47,044	46,952
Penalties and recovered costs	507,881	540,388
	<u>\$ 6,783,930</u>	<u>\$ 6,557,068</u>

See accompanying notes

**NEVADA STATE CONTRACTORS BOARD
SCHEDULE II - OPERATING EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Automobile	\$ 105,643	\$ 93,043
Board member compensation	15,750	15,150
Board member travel	18,076	20,151
Computer	445,031	410,582
Depreciation	272,207	266,760
Dues and subscriptions	6,971	8,169
Education and training	16,866	32,449
Employee travel	46,615	43,274
Equipment lease	53,680	68,310
Freight	4,790	5,005
Health and welfare insurance	756,981	708,401
Legal fees	205,998	305,862
Office	185,928	170,670
Other insurance	29,681	29,275
Payroll taxes	292,653	287,324
Pension plan	283,428	264,159
Postage and printing	82,637	88,176
Professional services	336,108	308,496
Public information program	12,654	9,406
Rent	677,769	567,815
Salaries and wages	3,345,280	3,268,363
Telephone	89,074	116,098
	<u>\$ 7,283,820</u>	<u>\$ 7,086,938</u>

See accompanying notes