

**NEVADA STATE
CONTRACTORS BOARD**

**FINANCIAL STATEMENT
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2021**

J.A. SOLARI & PARTNERS^{CPA}

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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, 2021 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 opinions.

Opinions

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, 2021, 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 25, 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 opinions 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
September 16, 2021

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021 and 2020 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 \$7,731,381 (reported as net position). Of this amount, \$735,673 was invested in capital assets.
- Total revenue realized during year ended June 30, 2021 increased by \$392,244 when compared to the prior year total of \$6,936,919. The overall increase in revenue was largely due to an increase in License Renewals, New Licenses Issued, and Application Fees. Because the Board's renewal fees and New License Issued Fees are biennial, an additional \$2,837,935 in fees were collected from advanced license payments and will be recognized in the next fiscal year.
- The Board's total net position increased by \$947,720 during the year ended June 30, 2021; during the year ended June 30, 2020, the net position had decreased by \$510,100. The June 30, 2021 increase was predominately due to an increase in Renewal and Application Fees, and a decrease in Salary and Health Insurance costs.
- Purchases of capital assets were \$72,200 in 2021 compared to \$187,450 in 2020. The Board's cash was used for the purchases; no debt was incurred.
- The Board's current liabilities increased by \$270,460 from the June 30, 2020 amount of \$3,031,606. This increase was due to an increase in Deferred Revenue, Accrued Payroll and funds due to the Construction Education fund.
- Total net position is comprised of the following as of June 30, 2021
 1. Cash, certificates of deposit, capital assets (net of accumulated depreciation), and prepaid expenses. Cash bonds accounts in the amount of \$4,501,430 are offset by a corresponding liability of the same amount.

NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$6,995,708 or 109.6% of total governmental fund expenditures.

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**

	2021 Actual Government-wide	2020 Actual Government-wide
ASSETS		
Cash and investments	\$ 10,079,179	\$ 8,659,265
Prepaid expenses	201,874	215,573
Due from other agencies	16,721	10,466
Capital assets, net	735,673	929,963
Restricted cash	4,501,430	4,938,419
Total assets	15,534,877	14,753,686
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
Total assets and deferred outflows of resources	15,534,877	14,753,686
LIABILITIES		
Current liabilities	3,302,066	3,031,606
Non-current liabilities	4,501,430	4,938,419
Total Liabilities	7,803,496	7,970,025
DEFERRED INFLOWS OF RESOURCES		
	-	-
Total liabilities and deferred inflows of resources	7,803,496	7,970,025
NET POSITION		
Net investment in capital assets, net	735,673	929,963
Unrestricted	6,995,708	5,853,698
Total net position	\$ 7,731,381	\$ 6,783,661

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

	2021 Actual Government-wide	2020 Actual Government-wide
Program Revenues	\$ 7,306,262	\$ 6,922,346
Operating Expenditures/Expenses		
Contractors board operations	6,381,443	7,447,019
Income from operations	924,819	(524,673)
General Revenues		
Gain on sales of capital assets	9,560	-
Interest income	13,341	14,573
Income from non-operating revenues	22,901	14,573
Change in Net Position	947,720	(510,100)
Net Position at Beginning of Year	6,783,661	7,293,761
Net Position at End of Year	\$ 7,731,381	\$ 6,783,661

**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 \$40,000 in financial losses resulting from a licensed residential contractor’s actions with an aggregate amount of \$750,000 or 20 percent of the current balance of the current Recovery Fund balance per licensee.

Administrative expenses for the recovery fund consist of board expenses allocated to investigate and process claims and conduct hearings.

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 required *Supplementary Information* in its financial statements:

Budget Comparison

The Board presents as required 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, 2021, 2020 and 2019							
				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	\$	%	\$	%
Current and other assets	\$ 14,799,204	\$ 13,823,723	\$ 14,375,949	\$ 975,481	7.1%	\$ (552,226)	-3.8%
Capital assets	735,673	929,963	1,015,089	(194,290)	-20.9%	(85,126)	-8.4%
Total Assets	15,534,877	14,753,686	15,391,038	781,191	5.3%	(637,352)	-4.1%
Total liabilities	7,803,496	7,970,025	8,097,277	(166,529)	-2.1%	(127,252)	-1.6%
Invested in capital assets	735,673	929,963	1,015,089	(194,290)	-20.9%	(85,126)	-8.4%
Unrestricted net Position	6,995,708	5,853,698	6,278,672	1,142,010	19.5%	(424,974)	-6.8%
Total Net Position	\$ 7,731,381	\$ 6,783,661	\$ 7,293,761	\$ 947,720	14.0%	\$ (510,100)	-7.0%

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

The Board’s overall financial position has increased by \$947,720 during fiscal year 2020-2021. The financial net position decreased by \$510,100 in fiscal year 2019-2020.

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, 2021, 2020 AND 2019							
				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	\$	%	\$	%
REVENUES:							
Operating revenues	\$ 7,306,262	\$ 6,922,346	\$ 6,793,032	\$ 383,916	5.5%	\$ 129,314	1.9%
Other income	22,901	14,573	14,942	8,328	57.1%	(369)	-2.5%
Total Income	7,329,163	6,936,919	6,807,974	392,244	5.7%	128,945	1.9%
EXPENSES:							
Personnel	3,973,232	4,880,862	4,678,343	(907,630)	-18.6%	202,519	4.3%
Rent	718,596	695,478	677,769	23,118	3.3%	17,709	2.6%
Operations	1,689,615	1,870,679	1,927,708	(181,064)	-9.7%	(57,029)	-3.0%
Total Expenses	6,381,443	7,447,019	7,283,820	(1,065,576)	-14.3%	163,199	2.2%
Change in Net Position	947,720	(510,100)	(475,846)	1,457,820	-285.8%	(34,254)	7.2%
Net Position, Beginning	6,783,661	7,293,761	7,769,607	(510,100)	-7.0%	(475,846)	-6.1%
Net Position, Ending	\$ 7,731,381	\$ 6,783,661	\$ 7,293,761	\$ 947,720	14.0%	\$ (510,100)	-7.0%

REVENUES

Operating revenues increased by \$383,916 in fiscal year 2020-2021 compared to a \$129,314 increase in the prior fiscal year. Prior to fiscal year 2019-2020 an increase of \$234,604 was realized. An additional \$2,837,935 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 2017 to 2021 renewal revenue has increased by \$414,423. Renewal revenues have exceeded \$4,100,000 per year. Fiscal year 2020-2021 renewal revenue has increased by \$233,388 from the prior year. Due to the current economic trends in the construction industry, the 2021-2022 renewal revenue has the possibility to realize a decrease.

Applications and New Licenses

Application fees have increased \$208,150 or 43.0% over the past five-year period. Revenue for the fiscal year 2020-2021 was \$691,800, an increase of \$108,470 from the prior year. Due to the current economy, a possible decrease in new licenses is anticipated for FY 2021-2022.

During a five-year period spanning fiscal years 2017 through 2021, New License revenue has increased 16.1%, or \$21,410. New license revenue for the year ended June 30, 2021, was \$806,700 which was a 2.7% increase over the prior year. Due to the current economy,

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

the Board is projecting a possible decrease in income for FY 2020-2021.

REVENUES (Continued)

License Changes

License Change revenue has increased by \$31,175 from 2017 through 2021. Revenue totaled \$454,350 for the year ended June 30, 2021, an increase of \$13,375, or 3.0% compared to the prior year. With current economic conditions, the Board anticipates a possible decrease in FY 2021-2022.

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, 2021, 2020 & 2019, earned \$13,341, \$14,573 and \$14,942, 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>
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	4,256,640	760,565	598,200	484,700	507,881	\$ 6,607,986
2020	4,401,635	785,290	583,330	440,975	539,658	\$ 6,750,888
2021	<u>4,635,023</u>	<u>806,700</u>	<u>691,800</u>	<u>454,350</u>	<u>547,753</u>	<u>\$ 7,135,626</u>
	<u>\$ 21,705,001</u>	<u>\$ 3,742,130</u>	<u>\$ 2,878,530</u>	<u>\$ 2,230,125</u>	<u>\$ 2,639,809</u>	<u>\$ 33,195,595</u>
5 Year Increase (Decrease)	\$ 414,423	\$ 111,775	\$ 208,150	\$ 31,175	\$ 43,624	\$ 809,147
	<u>9.8%</u>	<u>16.1%</u>	<u>43.0%</u>	<u>7.4%</u>	<u>8.7%</u>	<u>12.8%</u>

Recovery Fund Assessment Fees

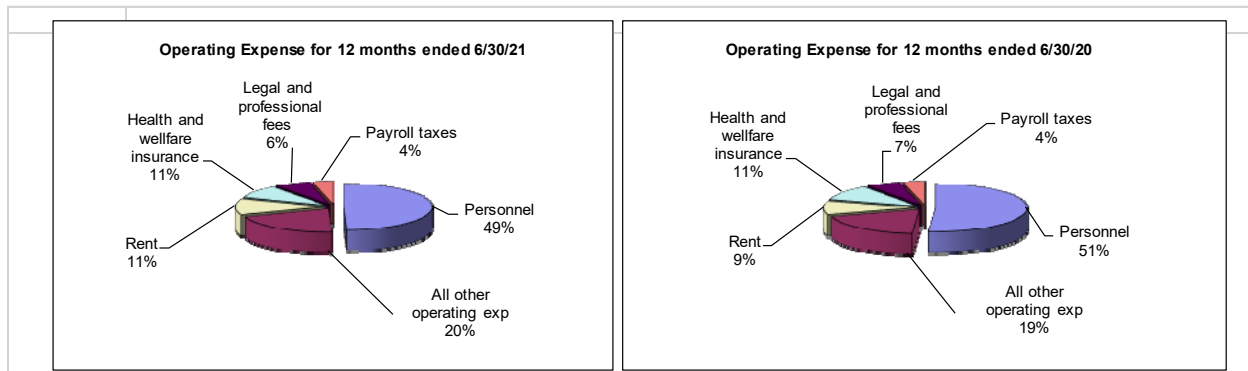
Recovery Fund Revenue and Recapture for the year ended June 30, 2021 of \$627,405 is an increase of \$24,901 or approximately 4.1% over the 2020 revenue of \$602,504. On January 1, 2015 the Board decreased the Recovery Fund assessments to residential contractors by approximately 20.0%.

NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPENDITURES

Operating expenses decreased by \$1,065,576 in 2020-2021, with the largest decreases in Salaries, Health & Welfare, Payroll Taxes, Pension Expense and Public Education Expense of \$606,923, \$204,137, \$46,363, \$47,018 and \$49,482 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, 2021 was approximately \$6.8 million, representing an approximate decrease of \$614,792 over the June 30, 2020 budget. The majority of that decrease was due to the decrease in Salary and Payroll Expense. The 2020 budget reflected a \$39,192 increase compared to the 2019 budget. In the Fiscal Year 20-21 budget, the Board also budgeted \$579,651 for capital expenditures of which only \$72,200 was spent. Portions of the unspent capital expenditures budget will be carried over into the following fiscal year.

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 and replacement of computer/peripheral equipment 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, 2021 and 2020 was \$735,673 and \$929,963, respectively.

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

CAPITAL ASSETS (Continued)

Capital asset additions during 2021 was limited to funds expended for the office design for the Southern Nevada office in the amount of \$72,200. Approximately \$211,027 in obsolete Office Improvements and \$718,554 in obsolete Computer Equipment were written off during the 20-21 Fiscal Year.

Prior year additions included the purchase of office furniture and fixtures of \$12,458, computer equipment for \$75,105 and vehicles in the amount of \$75,105.

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

CAPITAL ASSETS							
JUNE 30, 2021, 2020 AND 2019							
				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	\$	%	\$	%
Improvements	\$ 460,633	\$ 599,460	\$ 599,460	\$ (138,827)	-23.2%	\$ -	0.0%
Furniture and equipment	495,954	495,954	483,496	-	0.0%	12,458	2.6%
Computer equipment	1,440,354	2,158,911	2,083,804	(718,557)	-33.3%	75,107	3.6%
Vehicles	460,612	553,415	453,527	(92,803)	-16.8%	99,888	22.0%
	2,857,553	3,807,740	3,620,287	(950,187)	-25.0%	187,453	5.2%
Less accumulated depreciation	(2,121,880)	(2,877,777)	(2,605,198)	755,897	-26.3%	(272,579)	10.5%
	\$ 735,673	\$ 929,963	\$ 1,015,089	\$ (194,290)	-20.9%	\$ (85,126)	-8.4%

ECONOMIC ENVIRONMENT AND NEXT YEAR’S BUDGET

Nevada has remained consistent in many aspects of the construction industry even through the FY 20-21 economic environment. It is hard to predict the impact this may have on the FY 21-22 revenue stream. In the FY 21-22, the Board has budgeted funds in order to maintain the integrity of the Board’s infrastructure and service to the Public. When compared to the fiscal year 2020-2021, the Board’s budgeted expenditures for fiscal year 2021-2022 general operating costs have been adjusted to include improvements in the location and operation of the Southern Nevada office, upgrades in the IT and Communications operating systems, upgrades in the Board’s Document Management processes and the purchase of several vehicles to replace older high mileage vehicles.

Budgeted Capital Outlay

Other budgeted capital outlays for fiscal year 2021-2022 will include:

Upgrade in Scanning and Document Storage – Budgeted at \$163,480.

Upgrade Servers - Budgeted at \$33,424.

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

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

IT Upgrades for both the Northern and Southern Offices– Budgeted at \$414,147.

Relocation and Improvements of Southern Office- Budgeted at \$1,380,659.

Vehicle Purchases – Budgeted at \$80,000.

Budgeted Unrestricted Net Position

Pursuant to board policy a budgeted unrestricted net position of \$6,995,708 is a thirteen (13) month reserve based on our 2021-22 budgeted average monthly operating costs of \$531,786.

**NEVADA STATE CONTRACTORS BOARD
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 10,079,179	\$ -	\$ 10,079,179
Prepaid expenses	-	201,874	201,874
Due from other agencies	-	16,721	16,721
Capital assets, net	-	735,673	735,673
Restricted cash	4,501,430	-	4,501,430
Total assets	14,580,609	954,268	15,534,877
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
Total assets and deferred outflows of resources	\$ 14,580,609	\$ 954,268	\$ 15,534,877
LIABILITIES			
Current liabilities			
Accounts payable	\$ 29,426	\$ -	\$ 29,426
Due to other agencies	-	172,320	172,320
Accrued payroll and payroll taxes	55,199	-	55,199
Other accrued liabilities	3,125	-	3,125
Compensated absences payable	-	204,061	204,061
Licensing fees received in advance	2,837,935	-	2,837,935
Total current liabilities	2,925,685	376,381	3,302,066
Non-current liabilities			
Refundable security bonds	4,501,430	-	4,501,430
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
Total liabilities and deferred inflows of resources	7,427,115	376,381	7,803,496
FUND BALANCE/NET POSITION			
Fund Balance - Unassigned	7,153,493	(7,153,493)	-
Total liabilities and fund balance	\$ 14,580,608		
Net Position			
Net investment in capital assets, net		735,673	735,673
Unrestricted		6,995,708	6,995,708
Total net position		\$ 7,731,381	\$ 7,731,381

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, 2021**

	<u>General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Activities</u>
Program Revenues	\$ 7,306,262	\$ -	\$ 7,306,262
Operating Expenditures/Expenses			
Contractors board operations	6,050,227	331,216	6,381,443
Capital outlay	72,200	(72,200)	-
Income from operations	1,183,835	(259,016)	924,819
General Revenues			
Gain on sales of capital assets	9,560	-	9,560
Interest income	13,341	-	13,341
Income from non-operating revenues	22,901	-	22,901
Change in Net Position	1,206,736	(259,016)	947,720
Net Position at Beginning of Year	5,946,757	836,904	6,783,661
Net Position at End of Year	\$ 7,153,493	\$ 577,888	\$ 7,731,381

See accompanying notes

**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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.

**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Cash and Investments

Cash is maintained in three 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.

Cash also consists of time certificates of deposit, which are stated at fair value. The net change in the fair value of the certificates are reflected together with interest income, as interest income in the accompanying financial statements.

g. Capital Assets

Capital assets, consisting of leasehold improvements, furniture, 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 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.

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

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.

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, were as follows:

Governmental fund		
Cash and investments	\$	10,079,179
<u>Restricted cash</u>		<u>4,501,430</u>
	\$	<u>14,580,609</u>

Investments included above as of June 30, 2021, were as follows:

<u>Certificates of deposit</u>	\$	1,130,517
	\$	<u>1,130,517</u>

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, 2021, the Board's uninsured but collateralized balances were \$14,526,260.

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, 2021, the Board's restricted cash and liability for security bonds was \$4,501,430.

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – PREPAID EXPENSES

Total prepaid expenses as of June 30, 2021, were as follows:

Computer	89,659
Health and welfare insurance	44,554
Other insurance	17,735
Professional services	12,000
Rent	37,926
	\$ 201,874

NOTE 5 – CAPITAL ASSETS

The Board has a custodial responsibility to the State of Nevada for the furniture, equipment and vehicles acquired with resources of the Board. The capital asset activity for the year ended June 30, 2021, was as follows:

	July 1, 2020	Additions	Dispositions	June 30, 2021
Depreciable				
Leasehold improvements	\$ 599,460	\$ 72,200	\$ 211,027	\$ 460,633
Furniture and equipment	2,654,865	-	718,557	1,936,308
Vehicles	553,415	-	92,803	460,612
	3,807,740	72,200	1,022,387	2,857,553
Less accumulated depreciation	(2,877,777)	(266,490)	1,022,387	(2,121,880)
	\$ 929,963	\$ (194,290)	\$ -	\$ 735,673

NOTE 6 – 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 was effective July 1, 2017 and expires December 31, 2027. Rent expense for the Reno office for the year ended June 30, 2021 was \$274,440.

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 expires November 30, 2021. Rent expense for the Henderson office for the year ended June 30, 2021 was \$444,156.

**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – OPERATING LEASE (Continued)

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

2022	\$ 430,257
2023	285,431
2024	318,883
2025	327,636
2026	335,139
2027	343,893
2028	176,323
	<u>\$ 2,217,562</u>

NOTE 7 – PENSION PLAN

The Board contributes to the Nevada State Contractors Board Money Purchase Pension Plan (the Plan), a 401(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, 2021 was \$244,238.

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

The Board also sponsors a 457(b) deferred compensation plan which is available to all eligible employees, who may elect a salary deferral on a calendar year basis. The deferral for 2021 was a maximum \$19,500 per employee (\$26,000 if over age 50). There is no employer matching contribution.

NOTE 8 – 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, 2021**

NOTE 8 – 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, 2021, were as follows:

Construction Education Fund	\$ 111,120
<u>Residential Construction Recovery Fund</u>	<u>61,200</u>
	<u>\$ 172,320</u>

The Board charges the Recovery Fund for personnel and other costs incurred in administering the Recovery Fund. Total charges were \$49,469 for the year ending June 30, 2021. Of this, \$16,721 were due from that agency as of June 30, 2021.

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 9 – 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 10 – 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.

**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – 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 \$16,721, prepaid expenses of \$201,874, the capitalization of fixed assets of \$2,857,553, accumulated depreciation of \$2,121,880, depreciation expense of \$266,490, the recognition of liabilities for amounts due to other agencies of \$172,320, and compensated absences of \$204,061.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to June 30, 2021, the Board entered into a 130-month lease agreement for a new office location in Las Vegas to replace the expiring Henderson office lease.

**REQUIRED SUPPLEMENTARY
INFORMATION**

NEVADA STATE CONTRACTORS BOARD
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual Amounts	Variance to Final Budget
Operating Revenue			
Application fees	\$ 520,000	\$ 691,800	\$ 171,800
Bidders preference	103,000	126,000	23,000
License changes	420,000	454,350	34,350
License renewals	4,450,000	4,635,023	185,023
New licenses	740,000	806,700	66,700
Other income	150,900	44,636	(106,264)
Penalties and recovered costs	550,000	547,753	(2,247)
Total operating revenue	6,933,900	7,306,262	372,362
Expenditures			
Current Expenditures			
Auto	117,700	104,059	13,641
Board member compensation	-	2,850	(2,850)
Board member travel	5,000	2,218	2,782
Computer	465,000	424,020	40,980
Depreciation	300,000	266,490	33,510
Dues and subscriptions	4,500	5,235	(735)
Education and training	12,000	5,428	6,572
Employee travel	17,000	7,053	9,947
Equipment lease	55,300	52,355	2,945
Freight	5,200	4,142	1,058
Health and welfare insurance	690,000	565,415	124,585
Legal fees	150,000	160,836	(10,836)
Office	184,800	197,215	(12,415)
Other insurance	48,000	29,019	18,981
Payroll taxes	237,800	250,898	(13,098)
Pension plan	279,850	244,238	35,612
Postage and printing	81,000	72,061	8,939
Professional services	238,000	258,327	(20,327)
Public information program	2,500	1,907	593
Rent	715,900	718,596	(2,696)
Salaries and wages	3,109,450	2,912,680	196,770
Telephone	92,000	96,401	(4,401)
Utilities	-	-	-
Total Current Expenditures	6,811,000	6,381,443	429,557
Capital Outlay			
Accounting software	\$ -	\$ -	\$ -
Automobiles	-	-	-
Computer/phone equipment, and software	579,651	-	579,651
Office equipment	-	-	-
Total Capital Outlay	579,651	-	579,651
Non Operating Revenue			
Gain on sales of capital assets	-	9,560	9,560
Interest income	14,000	13,341	(659)
Total Non Operating Revenue	14,000	22,901	8,901
Excess (Deficiency) of Revenue Over Expenditures	\$ (442,751)	\$ 947,720	\$ 1,390,471

See accompanying notes

SUPPLEMENTARY SCHEDULES

**NEVADA STATE CONTRACTORS BOARD
SCHEDULE I - OPERATING REVENUE
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Application fees	\$ 691,800	\$ 583,330
Bidders preference fees	126,000	128,000
License changes	454,350	440,975
License renewals	4,635,023	4,401,635
New licenses	806,700	785,290
Other income	44,636	43,458
Penalties and recovered costs	547,753	539,658
	<u>\$ 7,306,262</u>	<u>\$ 6,922,346</u>

See accompanying notes

**NEVADA STATE CONTRACTORS BOARD
SCHEDULE II - OPERATING EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Automobile	\$ 104,059	\$ 108,765
Board member compensation	2,850	9,600
Board member travel	2,218	11,972
Computer	424,020	453,137
Depreciation	266,490	272,576
Dues and subscriptions	5,235	5,330
Education and training	5,428	16,315
Employee travel	7,053	26,003
Equipment lease	52,355	55,187
Freight	4,142	4,957
Health and welfare insurance	565,415	769,552
Legal fees	160,836	182,995
Office	197,215	191,662
Other insurance	29,019	32,372
Payroll taxes	250,898	300,451
Pension plan	244,238	291,256
Postage and printing	72,061	91,077
Professional services	258,327	270,732
Public information program	1,907	40,501
Rent	718,596	695,478
Salaries and wages	2,912,680	3,519,603
Telephone	96,401	97,498
	<u>\$ 6,381,443</u>	<u>\$ 7,447,019</u>

See accompanying notes