

NEVADA STATE CONTRACTORS BOARD

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2024

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

Opinion

We have audited the accompanying financial statements of the Nevada State Contractors Board (the Board), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nevada State Contractors 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.

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 generally accepted auditing standards 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 generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The supplementary schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 9, 2024

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

**NEVADA STATE CONTRACTORS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

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, 2024 and 2023 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 \$8,380,818 (reported as net position). Of this amount, \$1,681,637 was invested in capital assets and \$4,219,735 was included in Right of Use Assets.
- Total revenue realized during year ended June 30, 2024 increased by \$474,349 when compared to the prior year total of \$7,645,323. The overall increase in revenue was largely due to an increase in License Renewals, Application Fees and Interest. Because the Board's renewal fees and New License Issued Fees are biennial, an additional \$2,981,608 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 \$153,405 during the year ended June 30, 2024; during the year ended June 30, 2023, the net position had increased by \$194,464. The June 30, 2024 increase was predominately due to an increase in Renewal fees, Application Fees and Interest Income, and a decrease in Interest Expense and Automobile Expense.
- Purchases of capital assets were \$181,313 in 2024 compared to \$166,356 in 2023. The Board's cash was used for the purchases; no debt was incurred.
- The Board's current liabilities increased by \$282,356 from the June 30, 2023 amount of \$4,108,606. 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, 2024:
 1. Cash, certificates of deposit, capital assets (net of accumulated depreciation), Right of Use Assets (net Accumulated Amortization) and prepaid expenses. Cash bonds accounts in the amount of \$4,998,733 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 \$2,479,446 or 31.1% 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.

Per GASB 87, starting in Fiscal Year 21-22, the board will be required to recognize all long-term leases as Right of Use Assets with an offset to Accumulated Amortization. The Board will also be required to recognize an implied interest expense. In order to accurately present a comparative statement, the Board will be required to adjust any prior period represented based on the new rule. The leases included in the new ruling are the Reno and Las Vegas office leases and the Xerox leases.

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**

	2024	2023
	Actual	Actual
	Government-wide	Government-wide
ASSETS		
Cash and investments	\$ 11,195,514	\$ 10,519,357
Prepaid expenses	85,035	152,032
Due from other agencies	28,899	19,029
Capital assets, net	1,681,637	1,876,877
Right of use assets, net	4,219,735	4,962,961
Restricted cash	4,998,733	4,820,859
Total assets	22,209,553	22,351,115
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
Total assets and deferred outflows of resources	22,209,553	22,351,115
LIABILITIES		
Current liabilities	4,390,964	4,108,606
Non-current liabilities	9,437,772	10,015,096
Total Liabilities	13,828,736	14,123,702
DEFERRED INFLOWS OF RESOURCES		
	-	-
Total liabilities and deferred inflows of resources	13,828,736	14,123,702
NET POSITION		
Net investment in capital assets, net	5,901,372	6,839,838
Unrestricted	2,479,445	1,387,575
Total net position	\$ 8,380,817	\$ 8,227,413

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

	2024 Actual Government-wide	2023 Actual Government-wide
Program Revenues	\$ 7,922,789	\$ 7,530,518
Operating Expenditures/Expenses		
Contractors board operations	7,966,268	7,450,858
Income from operations	(43,479)	79,660
General Revenues		
Gain on sales of capital assets	4,183	-
Interest income	192,700	114,804
Income from non-operating revenues	196,883	114,804
Change in Net Position	153,404	194,464
Net Position at Beginning of Year	8,227,413	8,032,949
Net Position at End of Year	\$ 8,380,817	\$ 8,227,413

**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, 2024, 2023 and 2022							
				2024 vs 2023		2023 vs 2022	
	2024	2023	2022	\$	%	\$	%
Current and other assets	\$ 16,308,181	\$ 15,511,277	\$ 14,484,020	\$ 796,904	5.1%	\$ 1,027,257	7.1%
Capital assets	1,681,637	1,876,877	2,053,227	(195,240)	-10.4%	(176,350)	-8.6%
Right of Use Assets	4,219,735	4,962,961	5,588,090	(743,226)	-15.0%	(625,129)	-11.2%
Total Assets	22,209,553	22,351,115	22,125,337	(141,562)	-0.6%	225,778	1.0%
Total liabilities	13,828,734	14,123,702	14,092,388	(294,968)	-2.1%	31,314	0.2%
Invested in capital assets	5,901,372	6,839,838	7,641,317	(938,466)	-13.7%	(801,479)	-10.5%
Unrestricted net Position	2,479,446	1,387,575	391,632	1,091,871	78.7%	995,943	254.3%
Total Net Position	\$ 8,380,818	\$ 8,227,413	\$ 8,032,949	\$ 153,405	1.9%	\$ 194,464	2.4%

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

The Board’s overall financial position has increased by \$133,753 during fiscal year 2023-2024. The financial net position increased by \$194,464 in fiscal year 2022-2023.

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, 2024, 2023 AND 2022							
				2024 vs 2023		2023 vs 2022	
	2024	2023	2022	\$	%	\$	%
REVENUES:							
Operating revenues	\$ 7,922,789	\$ 7,530,518	\$ 7,321,831	\$ 392,271	5.2%	\$ 208,687	2.9%
Other income	196,883	114,804	20,172	82,079	71.5%	94,632	469.1%
Total Income	8,119,672	7,645,322	7,342,003	474,350	6.2%	303,319	4.1%
EXPENSES:							
Personnel	4,897,151	4,489,986	3,780,168	407,165	9.1%	709,818	18.8%
Operations	3,069,117	2,960,872	2,894,460	108,245	3.7%	66,412	2.3%
Total Expenses	7,966,268	7,450,858	6,674,628	515,410	6.9%	776,230	11.6%
Change in Net Position	153,404	194,464	667,375	(41,060)	-21.1%	(472,911)	-70.9%
Net Position, Beginning	8,227,414	8,032,949	7,365,574	194,465	2.4%	667,375	9.1%
Net Position, Ending	\$ 8,380,818	\$ 8,227,413	\$ 8,032,949	\$ 153,405	1.9%	\$ 194,464	2.4%

REVENUES

Operating revenues increased by \$392,271 in fiscal year 2023-2024 compared to a \$208,687 increase in the prior fiscal year. Prior to fiscal year 2022-2023 an increase of \$15,569 was realized. An additional \$2,981,608 in fees were collected in advance to be recognized in the next fiscal year due to the collection of biennial fees.

License Renewals

From fiscal year end 2020 to 2024 renewal revenue has increased by \$612,760. Renewal revenues have exceeded \$4,400,000 per year. Fiscal year 2023-2024 renewal revenue has increased by \$205,495 from the prior year. Due to the current economic trends in the construction industry, the 2024-2025 renewal revenue has the possibility to realize an increase.

Applications and New Licenses

Application fees have increased \$270,770 or 46.4% over the past five-year period. Revenue for the fiscal year 2023-2024 was \$854,100, an increase of \$145,100 from the prior year. Due to the current economy, a possible increase in new licenses is anticipated for FY 2024-2025.

During a five-year period spanning fiscal years 2020 through 2024, New License revenue has increased 2.7%, or \$21,110. New license revenue for the year ended June 30, 2024, was \$806,400 which was an 6.2% increase over the prior year. Due to the current economy, the Board is projecting a possible increase in income for FY 2024-2025.

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

REVENUES (Continued)

License Changes

License Change revenue has increased by \$105,925 from 2020 through 2024. Revenue totaled \$546,900 for the year ended June 30, 2024, an increase of \$37,025 compared to the prior year. With current economic conditions, the Board anticipates a possible increase in FY 2024-2025.

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, 2024, 2023 & 2022, earned \$192,700, \$114,804 and \$13,832, 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>
2020	4,401,635	785,290	583,330	440,975	539,658	\$ 6,750,888
2021	4,635,023	806,700	691,800	454,350	547,753	\$ 7,135,626
2022	4,700,698	829,500	703,200	503,400	412,875	\$ 7,149,673
2023	4,808,900	758,850	709,000	509,875	570,677	\$ 7,357,302
2024	5,014,395	806,400	854,100	546,900	524,892	\$ 7,746,687
	<u>\$ 23,560,651</u>	<u>\$ 3,986,740</u>	<u>\$ 3,541,430</u>	<u>\$ 2,455,500</u>	<u>\$ 2,595,855</u>	<u>\$ 36,140,176</u>
5 Year Increase (Decrease)	<u>\$ 612,760</u>	<u>\$ 21,110</u>	<u>\$ 270,770</u>	<u>\$ 105,925</u>	<u>\$ (14,766)</u>	<u>\$ 995,799</u>
	<u>13.9%</u>	<u>2.7%</u>	<u>46.4%</u>	<u>24.0%</u>	<u>-2.7%</u>	<u>14.8%</u>

Recovery Fund Assessment Fees

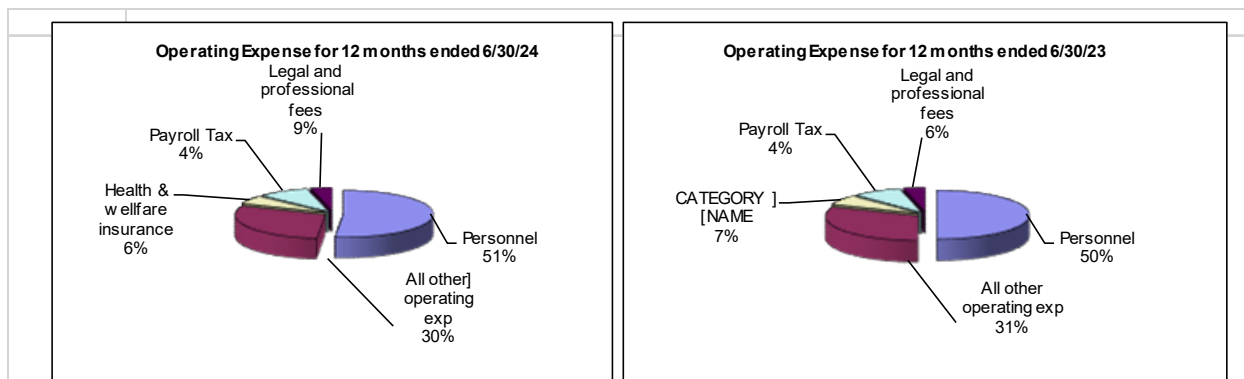
Recovery Fund Revenue and Recapture for the year ended June 30, 2024 of \$822,586 is an increase of \$84,880 or approximately 11.5% over the 2023 revenue of \$737,706.

NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPENDITURES

1. Operating expenses increased by \$535,061 in 2023-2024, with the largest increases in Salaries and Legal Fees of \$257,618 and \$75,572 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, 2024 was approximately \$8.1 million, representing an approximate increase of \$950,975 over the June 30, 2023 budget. The 2023-24 budget reflected a \$382,200 increase compared to the 2022 budget. In the Fiscal Year 23-24 budget, the Board also budgeted \$728,700 for capital expenditures of which only \$198,123 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, 2024 and 2023 was \$1,681,637 and \$1,876,878, respectively.

Capital asset additions during 2024 included funds expended to purchase three vehicles in the amount of \$81,580 and the purchase of IT equipment in the amount of \$97,694.

Prior year additions included funds expended to purchase two vehicles in the amount of \$66,784 and the purchase of IT equipment in the amount of \$99,572.

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

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

CAPITAL ASSETS								
JUNE 30, 2024, 2023 AND 2022								
				2024 vs 2023		2023 vs 2022		
	2024	2023	2022	\$	%	\$	%	
Improvements	\$ 1,597,569	\$ 1,597,569	\$ 1,597,569	\$ -	0.0%	\$ -	0.0%	
Furniture and equipment	591,569	589,530	587,847	2,039	0.3%	1,683	0.3%	
Computer equipment	1,487,436	1,389,742	1,291,853	97,694	7.0%	97,889	7.6%	
Vehicles	589,947	562,587	495,803	27,360	4.9%	66,784	13.5%	
	4,266,521	4,139,428	3,973,072	127,093	3.1%	166,356	4.2%	
Less accumulated depreciation	(2,584,884)	(2,262,551)	(1,919,845)	(322,333)	14.2%	(342,706)	17.9%	
	\$ 1,681,637	\$ 1,876,877	\$ 2,053,227	\$ (195,240)	-10.4%	\$ (176,350)	-8.6%	

ECONOMIC ENVIRONMENT AND NEXT YEAR’S BUDGET

Nevada has remained consistent in many aspects of the construction industry even through the FY 23-24 economic environment. It is hard to predict the impact this may have on the FY 24-25 revenue stream. In the FY 24-25, 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 2023-2024, the Board’s budgeted expenditures for fiscal year 2024-2025 general operating costs have been adjusted to include upgrades in the IT operations, upgrades in the Reno security system and the purchase of several vehicles to replace older high mileage vehicles.

Budgeted Capital Outlay

Other budgeted capital outlays for fiscal year 2024-2025 will include:

Create a Statistics Dashboard – Budgeted at \$19,227.

Upgrade Security in Reno Office - Budgeted at \$31,560.

Security Camera Upgrades – Budgeted at \$7,535.

Conference Room Improvements – Budgeted at \$222,000.

Migration to Microsoft 365– Budgeted at \$12,540.

On Line AI Chatbot for Customer Service – Budgeted at \$47,196.

Upgrade Text AppXtender Kofax Service – Budgeted at \$9,600.

Vehicle Purchases – Budgeted at \$56,000.

**NEVADA STATE CONTRACTORS BOARD
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2024**

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Net Position</u>
Assets			
Current assets			
Cash and investments	\$ 11,195,513	\$ -	\$ 11,195,513
Accounts receivable	-	1,790	1,790
Prepaid expenses	-	85,035	85,035
Due from other agencies	-	27,110	27,110
Restricted assets			
Restricted cash	4,998,733	-	4,998,733
Noncurrent assets			
Capital assets, net	-	1,681,637	1,681,637
Right of use assets, net	-	4,219,735	4,219,735
Total assets	16,194,246	6,015,307	22,209,553
Deferred Outflows of Resources			
	-	-	-
Total assets and deferred outflows of resources	\$ 16,194,246	\$ 6,015,307	\$ 22,209,553
Liabilities			
Current liabilities			
Accounts payable	\$ 70,964	\$ -	\$ 70,964
Due to other agencies	-	250,535	250,535
Accrued payroll and payroll taxes	99,022	-	99,022
Leases payable	729,732	-	729,732
Other accrued liabilities	5,355	-	5,355
Compensated absences payable	-	253,748	253,748
Licensing fees received in advance	2,981,608	-	2,981,608
Total current liabilities	3,886,681	504,283	4,390,964
Non-current liabilities			
Leases payable	-	4,439,039	4,439,039
Refundable security bonds	4,998,733	-	4,998,733
Deferred Inflows of Resources			
	-	-	-
Total liabilities and deferred inflows of resources	8,885,414	4,943,322	13,828,736
Fund Balance/Net Position			
Fund balance - unassigned	7,308,832	(7,308,832)	-
Total liabilities and fund balance	\$ 16,194,246		
Net Position			
Net investment in capital assets, net		5,901,372	5,901,372
Unrestricted		2,479,445	2,479,445
Total net position		\$ 8,380,817	\$ 8,380,817

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, 2024**

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Activities</u>
Program Revenues	\$ 7,922,789	\$ -	\$ 7,922,789
Operating Expenditures/Expenses			
Contractors board operations	7,445,684	520,584	7,966,268
Capital outlay	181,314	(181,314)	-
Income from operations	295,791	(339,270)	(43,479)
General Revenues			
Gain on sales of capital assets	4,183	-	4,183
Interest income	192,700	-	192,700
Income from non-operating revenues	196,883	-	196,883
Change in Fund Balance/Net Position	492,674	(339,270)	153,404
Fund Balance/Net Position at Beginning of Year	6,816,158	1,411,255	8,227,413
Fund Balance/Net Position at End of Year	\$ 7,308,832	\$ 1,071,985	\$ 8,380,817

See accompanying notes

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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, 2024

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, 2024

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.

k. New Accounting Pronouncement

During the year ended June 30, 2023, the Board implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscriptions of technology that carries a right to use the underlying assets. This statement increases the usefulness of the Board's financial statement for users by requiring recognition of certain subscription assets and liabilities similar to operating leases under GASB Statement No. 87. After review of the Board's contracts, all fall under the short-term SBITA exemption under GASB Statement No. 96. GASB Statement No. 96 defines a short-term SBITA as having a maximum possible term of 12 months at the commencement of the subscription term. This includes any renewal or extension options regardless of reasonable certainty of exercising these options. Under this exemption, the Board does not need to recognize any subscription assets or liabilities for the year ended June 30, 2024.

NOTE 2 – CASH AND INVESTMENTS

Total cash and investments as of June 30, 2024, were as follows:

Governmental fund	
Cash and investments	\$ 11,195,513
Restricted cash	4,998,733
	<u>\$ 16,194,246</u>

Investments included above as of June 30, 2024, were as follows:

<u>Certificates of deposit</u>	<u>\$ 1,030,742</u>
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**NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the Board’s uninsured but collateralized balances were \$15,600,927.

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, 2024, the Board’s restricted cash and liability for security bonds was \$4,998,733.

NOTE 4 – PREPAID EXPENSES

Total prepaid expenses as of June 30, 2024, were as follows:

Software subscriptions	\$	84,469
Other insurance		566
	\$	<u>85,035</u>

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2024, was as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2024</u>
Depreciable				
Leasehold improvements	\$ 1,597,569	\$ -	\$ -	\$ 1,597,569
Furniture and equipment	1,979,272	99,734	-	2,079,006
Vehicles	562,587	81,580	(54,221)	589,946
	<u>4,139,428</u>	<u>181,314</u>	<u>(54,221)</u>	<u>4,226,521</u>
Less accumulated depreciation	(2,262,551)	(376,554)	54,221	(2,584,884)
	<u>1,876,877</u>	<u>(195,240)</u>	<u>-</u>	<u>1,681,637</u>
Right-of-use				
Office Building	7,406,054	-	(28,896)	7,377,158
Equipment	84,631	-	-	84,631
	<u>7,490,685</u>	<u>-</u>	<u>(28,896)</u>	<u>7,461,789</u>
Less accumulated amortization	(2,527,724)	(714,330)	-	(3,242,054)
	<u>4,962,961</u>	<u>(714,330)</u>	<u>-</u>	<u>4,219,735</u>
	<u>\$ 6,839,838</u>	<u>\$ (909,570)</u>	<u>\$ (28,896)</u>	<u>\$ 5,901,372</u>

NOTE 6 – LEASES

The Nevada State Contractors Board, as a lessee, has entered into lease agreements involving an office space in Reno, NV, an office space in Las Vegas, and office copiers. Payments are due monthly for each lease. The Las Vegas office lease has an escalation per annum of 2.5%. The total costs of the Board's lease assets are recorded as \$7,461,789, less accumulated amortization of \$3,242,054.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 729,732	\$ 92,527	\$ 822,259
2026	754,900	78,366	833,266
2027	790,887	63,568	854,455
2028	620,448	49,066	669,514
2029	496,534	39,108	535,642
2030-2033	1,776,270	57,874	1,834,144
	<u>\$ 5,168,771</u>	<u>\$ 380,509</u>	<u>\$ 5,549,280</u>

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, was \$322,606.

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 2023 and 2024 were maximums of \$22,500 per employee (\$30,000 if over age 50) and \$23,000 per employee (\$30,500 if over age 50), respectively. 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.

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, 2024, were as follows:

Construction Education Fund	\$	166,486
Residential Construction Recovery Fund		84,049
	\$	<u>250,535</u>

The Board charges the Recovery Fund for personnel and other costs incurred in administering the Recovery Fund. Total charges were \$58,086 for the year ending June 30, 2024. Of this, \$27,110 were due from that agency as of June 30, 2024.

NEVADA STATE CONTRACTORS BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 – FIDUCIARY FUNDS (Continued)

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 – 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 accounts receivable of \$1,790, amounts due from other agencies of \$27,110, prepaid expenses of \$85,035, the capitalization of fixed assets of \$4,226,521 accumulated depreciation of \$2,584,884, depreciation expense of \$376,554, the recognition of liabilities for amounts due to other agencies of \$250,535, and compensated absences of \$253,748.

NOTE 11 – COMPLIANCE WITH NEVADA REVISED STATUES AND NEVADA ADMINISTRATIVE CODE

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

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 9, 2024 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, 2024

	Original and Final Budget	Actual Amounts	Variance to Final Budget
Operating Revenue			
Application fees	\$ 750,000	\$ 854,100	\$ 104,100
Bidders preference	140,000	128,700	(11,300)
License changes	575,000	546,900	(28,100)
License renewals	5,071,000	5,014,395	(56,605)
New licenses	790,000	806,400	16,400
Other income	46,620	47,402	782
Penalties and recovered costs	675,000	524,892	(150,108)
Total operating revenue	8,047,620	7,922,789	(124,831)
Expenditures			
Current Expenditures			
Amortization	720,000	714,330	(5,670)
Auto	45,800	52,639	6,839
Board member compensation	20,000	13,350	(6,650)
Board member travel	14,635	18,720	4,085
Computer	500,000	480,995	(19,005)
Depreciation	400,000	376,554	(23,446)
Dues and subscriptions	4,000	4,090	90
Education and training	30,000	2,700	(27,300)
Employee travel	44,500	44,224	(276)
Equipment lease	20,000	20,123	123
Freight	4,800	3,655	(1,145)
Health and welfare insurance	500,000	526,346	26,346
Interest expense	100,000	107,863	7,863
Legal fees	360,500	442,516	82,016
Office	281,130	276,085	(5,045)
Other insurance	27,000	33,825	6,825
Payroll taxes	335,000	319,673	(15,327)
Pension plan	288,400	322,606	34,206
Postage and printing	74,860	92,642	17,782
Professional services	319,750	285,792	(33,958)
Public information program	100,000	54,691	(45,309)
Salaries and wages	3,920,000	3,728,526	(191,474)
Telephone	38,000	44,323	6,323
Total Current Expenditures	8,148,375	7,966,268	(182,107)
Capital Outlay			
Computer/phone equipment, and software	\$ 594,500	\$ 97,694	\$ (496,806)
Office equipment	2,200	2,040	(160)
Automobiles	132,000	81,580	(50,420)
Total Capital Outlay	728,700	181,314	(547,386)
Non Operating Revenue			
Interest income	115,000	192,700	77,700
Total Non Operating Revenue	115,000	192,700	77,700
Excess (Deficiency) of Revenue Over Expenditures	\$ (714,455)	\$ (32,093)	\$ 682,362

See accompanying notes

SUPPLEMENTARY SCHEDULES

**NEVADA STATE CONTRACTORS BOARD
SCHEDULE I - OPERATING REVENUE
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Application fees	\$ 854,100	\$ 709,000
Bidders preference fees	128,700	130,500
License changes	546,900	509,875
License renewals	5,014,395	4,808,900
New licenses	806,400	758,850
Other income	47,402	42,716
Penalties and recovered costs	524,892	570,677
	<u>\$ 7,922,789</u>	<u>\$ 7,530,518</u>

See accompanying notes

**NEVADA STATE CONTRACTORS BOARD
SCHEDULE II - OPERATING EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Automobile	\$ 52,639	\$ 64,874
Amortization	714,330	692,252
Board member compensation	13,350	13,350
Board member travel	18,720	13,791
Computer	480,995	483,927
Depreciation	376,554	342,705
Dues and subscriptions	4,090	3,473
Education and training	2,700	30,630
Employee travel	44,224	36,737
Equipment lease	20,123	18,975
Freight	3,655	4,546
Health and welfare insurance	526,346	468,261
Interest Expense	107,863	163,816
Legal fees	442,516	366,944
Office	276,085	270,752
Other insurance	33,825	30,097
Payroll taxes	319,673	295,773
Pension plan	322,606	255,044
Postage and printing	92,642	104,740
Professional services	285,792	278,704
Public information program	54,691	9,265
Salaries and wages	3,728,526	3,470,908
Telephone	44,323	31,294
	<u>\$ 7,966,268</u>	<u>\$ 7,450,858</u>

See accompanying notes

NEVADA STATE CONTRACTORS BOARD
SCHEDULE III - OPERATING RESERVE RATIO ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024 - 2020

	2024	2023	2022	2021	2020
[B] Unrestricted Net Position	\$ 2,479,445	\$ 1,387,575	\$ 391,632	\$ 227,103	\$ 5,853,698
[C] + Compensated absences payable	253,748	209,313	168,945	204,061	207,777
[C] + Licensing fees received in advance	2,981,608	2,875,188	2,727,013	2,837,935	2,636,738
[C] + Lease liability	4,439,039	5,194,237	5,620,154	6,297,095	-
Calculated Reserve	\$ 10,153,840	\$ 9,666,313	\$ 8,907,744	\$ 9,566,194	\$ 8,698,213
Total Operating Expenditures	\$ 7,966,268	\$ 7,450,858	\$ 6,674,628	\$ 6,539,437	\$ 7,447,019
[D] - Current year depreciation/amortization	(1,090,884)	(1,034,957)	(1,326,272)	(1,100,155)	(272,576)
[D] + Purchase of capital assets	181,314	166,356	1,829,118	4,718,135	187,450
[D] ± Change in Compensated absences payable	(44,435)	(40,368)	35,116	3,716	(50,682)
[D] ± Change in lease liabilities	755,198	425,917	676,941	(4,191,900)	-
Adjusted Operating Expenditures	\$ 7,767,461	\$ 6,967,806	\$ 7,889,531	\$ 5,969,233	\$ 7,311,211
[E] Monthly Operating Expenditures	\$ 647,288	\$ 580,651	\$ 657,461	\$ 497,436	\$ 609,268
[F] Equivalent Number of Months of Operating Expenditures	16	17	14	19	14
[G] Number of Months of Operating Expenditures Required	12	12	12	12	12
Number of Months Over/(Under) Board Requirement	4	5	2	7	2

Notes:

- [A]** Calculation Method: The reserve calculation is consistent with the method used by the State of Nevada Governor's Finance Office Division of Internal Audits to calculate the Board's reserve.
- [B]** Unrestricted Net Position represents the Board's cash position plus or minus all operating (non-capital) assets or liabilities. Calculated Reserve is essentially the board's cash position plus or minus any operating assets or liabilities that are considered within the immediate revenue cycle of the board.
- [C]** Deferred fees, compensated absences, and lease liability amounts are added back to unrestricted net position as they represent cash on hand and available within the immediate revenue cycle resulting from either: 1) bi-annual licensing fees collected in advance of the license period or 2) liabilities expected to be liquidated in periods occurring after the immediate revenue cycle.
- [D]** Fund accounting adjustments, adjustments for actual cash expenditures, and adjustments for noncash expenses (depreciation/amortization).
- [E]** Monthly Operating Expenditures = Adjusted Operating Expenditures / twelve months
- [F]** Equivalent Number of Months of Operating Expenditures = Calculated Reserve / Monthly Operating Expenditures
- [G]** Effective 10/21/2010, the Board approved a operating reserve policy, requiring a one-year operating reserve of annual operating expenses shall be maintained.

See accompanying notes