

NEVADA STATE BOARD OF ACCOUNTANCY

FINANCIAL STATEMENTS

JUNE 30, 2016

NEVADA STATE BOARD OF ACCOUNTANCY
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INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Nevada State Board of Accountancy

Report on the Financial Statements

We have audited the accompanying financial statements of the Nevada State Board of Accountancy (Board) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada State Board of Accountancy, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

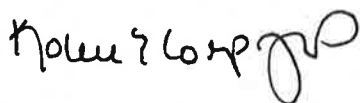
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-7, 22-23, and 24, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required management discussion and analysis and pension 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Reno, Nevada
September 27, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board members' and management's discussion and analysis of the Nevada State Board of Accountancy's (Board) financial condition and activities for the fiscal year ended June 30, 2016 is presented in conjunction with the audited financial statements.

Financial Highlights

- Program revenue for the fiscal year ended June 30, 2016 was approximately \$685,000 representing a \$56,000 increase from the fiscal year ended June 30, 2015. The increase is primarily due to increases in license and examination fees and income earned from penalties and disciplinary action activity.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents the Board members' and management's examination and analysis of the Board's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Board's strategic plan, budget, and other management tools were used for this analysis.

The Board uses the modified accrual basis of accounting for internal financial statement reporting. The financial statements have been prepared in accordance with generally accepted accounting principles as they apply to governmental units. The financial statements include a Statement of Net Position and Governmental Fund Balance Sheet, a Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Balance and Notes to the Financial Statements.

The Governmental Fund Balance Sheet and the Statement of Net Position present the financial position of the Board on both the modified accrual basis under the general fund and the full accrual basis as net position. This statement provides information on the Board's assets and liabilities with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Board is improving or deteriorating.

The Governmental Fund Balance Sheet and the Statement of Net Position provide information about the nature and amount of resources and obligations at year end. The Governmental Fund Revenue, Expenditures and Changes in Fund Balance and the Statement of Activities present the results of the activities over the course of the fiscal year and information as to how the fund balance and net position changed during the year. The fund balance changes under the modified accrual method when revenue is received or the expenditure is made, while changes in net assets under the full accrual method are recorded as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Board's recovery of its costs.

The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared from the detailed books and records of the Board. The financial statements were audited during the independent external audit process.

Financial Analysis

The basic financial statements, as well as the required supplementary information, the Statement of Revenue and Expenditures – Budget and Actual and the pension information, serve as the key financial data for the Board members' and management's monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in the following Results of Operations by the name of the statement or account.

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
CONDENSED STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016 Actual Government- Wide	2015 Actual Government- Wide
ASSETS		
Cash and cash equivalents	\$ 1,288,213	\$ 1,339,088
Accounts receivable	68,835	14,720
Capital assets, net of accumulated depreciation	8,684	1,103
Total assets	1,365,732	1,354,911
DEFERRED OUTFLOWS OF RESOURCES		
- PENSION REQUIREMENT	64,631	53,311
Total assets and deferred outflows of resources	1,430,363	1,408,222
LIABILITIES		
Current liabilities	274,538	272,079
Non-current liabilities	373,165	338,834
Total liabilities	647,703	610,913
DEFERRED INFLOWS OF RESOURCES		
- PENSION REQUIREMENT	48,281	87,384
Total liabilities and deferred inflows of resources	695,984	698,297
NET POSITION		
Invested in capital assets, net	8,684	1,103
Unrestricted	725,695	708,822
Total net position	\$ 734,379	\$ 709,925

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
CONDENSED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
	Actual Government- Wide	Actual Government- Wide
EXPENSES		
Operations	\$ 255,588	\$ 237,157
Personnel	360,246	328,506
Travel	46,952	49,253
Total expenses	<u>662,786</u>	<u>614,916</u>
PROGRAM REVENUE		
Fees, licensing, and permits (charges for services)	684,779	628,363
Other operating revenue	675	625
Total program revenue	<u>685,454</u>	<u>628,988</u>
GENERAL REVENUE		
Investment income	<u>1,786</u>	<u>1,890</u>
Total revenue	<u>687,240</u>	<u>630,878</u>
Change in net position	<u>\$ 24,454</u>	<u>\$ 15,962</u>

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Net Position

The Board's net position remains strong at year end with adequate liquid assets to fulfill its responsibilities. The Board members and management believe the current financial condition and staff capabilities are sufficient to meet anticipated operating expenses and operational objectives.

Statement of Activities

Revenue: The program revenue received by the Board is generated through the registration, renewal and licensure of certified public accountants. Total revenue received by the Board for fiscal year ended June 30, 2016 was \$685,000 representing a \$56,000 increase from the fiscal year ended June 30, 2015.

Expenses: Operating expenses for the fiscal year ended June 30, 2016 were \$663,000 representing an increase from the fiscal year ended June 30, 2015 of \$48,000. The net increase is primarily due to the increase in contracted employees needed for more disciplinary actions and hearings.

General Fund Budgetary Highlights

Total revenue received was very close to the amount budgeted.

Total expenses were less than the budgeted amounts by \$27,000 primarily in the area of travel and technology support costs.

Economic Factors and Next Year's Budget

The Board is charged with, and given statutory authority, to provide public protection through the licensure and regulation of Certified Public Accountants. The Board provides direction of staff actions toward its mission of public protection through licensure and disciplinary measures.

To this end, the Board continues to implement new software development to automate various job functions which provides cost savings in personnel services, in addition to small overhead due to the staff size. Staff has been directed to continue seeking areas in which operating expenses can be reduced without jeopardizing the high level of customer service the licensees and public have come to know.

It is projected that expenses will increase within the operating software category based on additional components and configurations being added to the Board's licensing software and continued website enhancements. These additions to the software will enable Board staff to track the licensing requirements more efficiently.

Through the Board members' and management's review of the annual budget and monthly income and expense statements, it is expected that these tools will continue to provide the Board with sufficient long and short-term planning information.

BASIC FINANCIAL STATEMENTS

NEVADA STATE BOARD OF ACCOUNTANCY
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 1,288,213	\$ -	\$ 1,288,213
Accounts receivable	18,232	50,603	68,835
Capital assets, net of accumulated depreciation	-	8,684	8,684
Total assets	<u>1,306,445</u>	<u>59,287</u>	<u>1,365,732</u>
DEFERRED OUTFLOWS OF RESOURCES			
- PENSION REQUIREMENT	-	64,631	64,631
Total assets and deferred outflows of resources	<u>\$ 1,306,445</u>	123,918	1,430,363
LIABILITIES			
Current liabilities			
Accounts payable	\$ 6,262	-	6,262
Accrued compensated absences	-	32,623	32,623
Licensing fees received in advance	235,653	-	235,653
Total current liabilities	<u>241,915</u>	<u>32,623</u>	<u>274,538</u>
Non-current liabilities			
Net pension liability	-	373,165	373,165
Total liabilities	<u>241,915</u>	<u>405,788</u>	<u>647,703</u>
DEFERRED INFLOWS OF RESOURCES			
- PENSION REQUIREMENT	-	48,281	48,281
Total liabilities and deferred inflows of resources	241,915	454,069	695,984
FUND BALANCE / NET POSITION			
Fund balance			
Unassigned	<u>1,064,530</u>	<u>(1,064,530)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,306,445</u>		
Net position			
Invested in capital assets, net		8,684	8,684
Unrestricted		<u>725,695</u>	<u>725,695</u>
Total net position		<u>\$ 734,379</u>	<u>\$ 734,379</u>

See accompanying notes

NEVADA STATE BOARD OF ACCOUNTANCY
GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Adjustments (Note 9)	Statement of Activities
EXPENDITURES/EXPENSES			
Accountancy board operations	\$ 679,292	\$ (16,506)	\$ 662,786
Capital outlay	9,004	(9,004)	-
Total expenditures/expenses	<u>688,296</u>	<u>(25,510)</u>	<u>662,786</u>
PROGRAM REVENUE			
Charges for services	641,251	44,203	685,454
Net program revenue	<u>(47,045)</u>	<u>69,713</u>	<u>22,668</u>
GENERAL REVENUE			
Investment income	<u>1,786</u>	-	<u>1,786</u>
Excess of revenue over expenditures	(45,259)	45,259	-
Change in net position	-	24,454	24,454
FUND BALANCE / NET POSITION			
Beginning of year	<u>1,109,789</u>	<u>(399,864)</u>	<u>709,925</u>
End of year	<u>\$ 1,064,530</u>	<u>\$ (330,151)</u>	<u>\$ 734,379</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada State Board of Accountancy (Board) was created in 1913 and obtained statutory authority in 1960. The Board is regulated by the Nevada Revised Statutes, which also specify the authorized activities of the Board. The Board is the licensing and regulatory agency for the practice of accounting in the State of Nevada.

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

The following is a summary of the more significant accounting policies.

Reporting Entity

Effective July 1, 2001, Chapter 353 of the Nevada Revised Statutes (NRS) was amended to exempt certain professional and occupational boards from the state budget act and the provisions governing the administration of state funding. The provisions of Chapter 353 do not apply to boards created pursuant to Chapters 623 to 625A, inclusive, 628, 630 to 640A inclusive, 641 to 644, inclusive, 654 and 656 of the NRS and the officers and employees thereof. Accordingly, the Board's budgeting and accounting practices and procedures have been removed from the oversight of the Department of Administration.

The Board's financial statements are not included in the financial statements of the State of Nevada since the State does not exercise financial or administrative control over the Board. This is in conformance with GASB codification Section 2100, *Defining the Government Reporting Entity*.

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.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, requires the Board to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. Accordingly, the Board has not applied FASB pronouncements issued after that date.

Fund Accounting

Under Chapter 628.140 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 Accountancy 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 the practice of public accounting in the state of Nevada.

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 related cash flows.

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

Budget Data

The Board prepares an annual budget. The budget is prepared on a basis similar to generally accepted accounting principles under the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end.

Cash and Cash Equivalents

Cash is maintained in two commercial banks in Reno, Nevada. The Board participates in the State of Nevada collateralization program to assure that funds deposited are protected.

Cash also consists of time certificates of deposit, which are stated at fair value. The net increase (decrease) in the fair value of the investments is the difference between the cost (if purchased during the fiscal year) or the fair value of the investments at the beginning of the year, and the fair value of the investments at the end of the year. Changes in fair value of the certificates are reflected, together with interest income, as investment income in the accompanying financial statements. The Board's certificates are held in its name and it participates in the State of Nevada collateralization program to assure that funds deposited are protected. By statutes, all cash must be deposited in entities that are located in the state of Nevada.

Accounts Receivable

For the governmental fund financial statements, the accounts receivable represent fees and fines collected within 60 days subsequent to year end that are an available resource for the current year.

For the government-wide financial statements the accounts receivable represents fees and fines due as of year end. All amounts are considered collectible by management.

Capital Assets

Capital assets, which include furniture, fixtures, and equipment are reported in the net asset column in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,500 and an estimated useful life of at least one year. Such assets are recorded at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Capital assets are depreciated using the straight-line method over three to twenty years.

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

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated vacation or sick leave on the general fund balance sheet as no amounts were paid within 60 days subsequent to year end. Accumulated unused vacation and sick leave earned as of June 30, 2016, is reflected in the statement of net position.

Licensing Fees Received in Advance

By provisions of statute, the Board administers its licensing registration on a calendar year basis. Licensing fees received in advance represents revenue from the calendar year renewals that relates ratably over the next fiscal year.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments qualify for reporting in this category.

Fund Equity and Net Position

In the governmental fund financial statement, fund balances are classified as follows:

Nonspendable - represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Board has no nonspendable fund balances.

Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The Board has no restricted fund balances.

Committed – represents amounts which can be used only for specific purposes determined by the members of the governing Board's formal action through a resolution or action. The Board has no committed funds.

Assigned - represents amounts that are intended by the Board for specific purposes but do not require action by the governing Board. The Board has no assigned funds.

Unassigned – represents all amounts not included in other classifications.

The Board's policy is to first apply expenditures against nonspendable fund balances and then unassigned balances. On an annual basis, assigned fund balances are determined based upon available resources.

Equity is classified as net position and displayed in the three following components, as applicable:

- Net invested in capital assets – consists of capital assets, net of accumulated depreciation and any related debt.

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity and Net Position (Continued)

- Restricted net position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – net position that is neither classified as “invested in capital assets” nor as “restricted.”

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Subsequent Events

Subsequent events have been evaluated through September 27, 2016, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Memorandum Only – Total Columns

Total columns in the consolidated financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Board maintains its checking accounts and certificates of deposit in two major commercial banks. The time certificates of deposit are held in the name of the Board. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in the aggregate per bank for the checking accounts and \$250,000 for the time deposits.

The bank balances at June 30, 2016, totaled \$1,305,069 with \$805,069 not covered by the FDIC, but the accounts are collateralized with securities held by the Nevada Pooled Collateral program.

By provisions of statutes, the Board is required to deposit all money in banks or savings and loan associations located in the State of Nevada.

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 3 - CAPITAL ASSETS

The Board has custodial responsibility to the State of Nevada for furniture, fixtures and equipment acquired with resources of the Board. The capital asset activity during the year is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<u>Capital assets not being depreciated</u>				
None	\$ -	\$ -	\$ -	\$ -
<u>Capital assets being depreciated</u>				
Office equipment and furniture	93,685	9,004	(8,758)	93,931
<u>Less: accumulated depreciation</u>				
Office equipment and furniture	<u>92,582</u>	<u>1,358</u>	<u>(8,693)</u>	<u>85,247</u>
Capital assets being depreciated, net	<u>1,103</u>	<u>7,646</u>	<u>(65)</u>	<u>8,684</u>
Total capital assets, net	<u>\$ 1,103</u>	<u>\$ 7,646</u>	<u>\$ (65)</u>	<u>\$ 8,684</u>

NOTE 4 - LONG-TERM OBLIGATIONS ACTIVITY

Following is a summary of the change in long-term obligations, other than the net pension liability:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 34,460</u>	<u>\$ -</u>	<u>\$ (1,837)</u>	<u>\$ 32,623</u>	<u>\$ -</u>

NOTE 5 - OPERATING LEASE

The Board currently leases office space in Reno, Nevada. The lease term began September 1, 2013 and expires August 31, 2023. The monthly rental payment is currently \$1,494 with escalation clauses as detailed in the lease occurring subsequent to year end. The following is a schedule by years of future minimum rental payments:

<u>Year ending June 30,</u>	
2017	\$ 18,426
2018	18,702
2019	18,982
2020	19,267
2021	19,556
Thereafter	43,363

The Board also leases a copier with fixed monthly payments of \$199 with extra charges for usage as detailed in the lease agreement. The lease term commenced on April 20, 2013 and expires March 20, 2018. The following is a schedule by years of future minimum rental payments:

<u>Year ending June 30,</u>	
2017	\$ 2,391
2018	1,793

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6 - PENSIONS

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

The Public Employee Retirement System of Nevada (PERS or the System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement plan which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

- a) Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
- b) Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.
- c) Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

- a) Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.
- b) The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

- a) The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions and the other plan provides for employer-pay only.
- b) The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.
- c) The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6 - PENSIONS (Continued)

- d) The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.
- e) For the fiscal years ended June 30, 2014, 2015 and 2016 the Statutory Employer/employee matching rate was 13.25%, 13.25%, and 14.50%, respectively, for Regular. The Employer-pay contribution (EPC) rate was 25.75%, 25.75%, and 28.00%, respectively, for Regular.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2016, the Board reported a liability of \$373,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2015. At June 30, 2015, the Board's proportion was .00326%.

For the year ended June 30, 2016, the Board recognized pension expense of \$42,494. Amounts totaling \$58,586 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 28,068
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	20,213
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,045	-
Contributions subsequent to the measurement date	58,586	-
	<u>\$ 64,631</u>	<u>\$ 48,281</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contributions subsequent to the measurement date, are expected to be recognized in pension expense as follows:

Year ended June 30			
2017	\$	13,813	
2018		13,813	
2019		13,838	
2020		(3,973)	
2021		3,634	
2022		1,111	
	\$	<u>42,236</u>	

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6 - PENSIONS (Continued)

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.70 years for the measurement period ending June 30, 2015.

Reconciliation of the net pension liability at June 30, 2016 is as follows:

Beginning net pension liability	\$	338,834
Pension expense		42,494
Employer contributions		(50,264)
Current year net deferred (inflows) and outflows		42,101
Ending net pension liability	\$	<u>373,165</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer price index	3.50%
Other assumptions	Same as those used in the June 30, 2015 funding Actuarial valuation

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2014. The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and June 30, 2014.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2015:

Asset Class	Target Allocation	Long-Term Geometric
		Expected Real Rate of Return *
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 6 - PENSIONS (Continued)

*As of June 30, 2015, PERS' long-term inflation assumption was 3.5%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2015, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.00%) or 1 percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 569,258	\$ 373,165	\$ 210,856

Pension Plan Fiduciary Net Position

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PER's website at www.nvpers.org under Quick Links – Publications.

NOTE 7 - POST EMPLOYMENT RETIREMENT BENEFITS

Legislation affords public employees of the state of Nevada (State) the opportunity to enroll, upon their retirement, in the Public Employees Benefit Program (PEBP) health insurance plan. The legislation obligates the State for a portion of the medical premiums for those retired employees who elect to enroll in the PEBP health insurance plan prior to January 1, 2012. There is currently one retired employee participating in this plan. The Board has not been billed directly for its cost of this post employment retirement benefit. However, the State is charging an annual fee to the Board based on a rate determined by the State and the budgeted salaries of the Board. During the year ended June 30, 2016, the Board paid the State \$27,785 for current benefits and this additional fee for post employment retirement benefits. This annual cost is expected to continue and possibly increase based on future decisions by the State to allocate post employment retirement benefits to the Board's employees. Representatives of PEBP's have indicated that the post employment benefit liability is at the PEBP's level and the Board merely pays its annual required contribution based on the fees charged by the State. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan and no financial reports are issued.

NOTE 8 - COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

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

NOTE 9 - 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 \$50,603, the capitalization of fixed assets of \$93,931, accumulated depreciation of \$85,247, depreciation expense of \$1,358, the change in deferred inflows, outflows of resources due to the pension requirements and pension liability, net, of \$16,092 and the recognition of liabilities for vacation payable and sick leave of \$32,623.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA STATE BOARD OF ACCOUNTANCY
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015
	Original and Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Favorable (Unfavorable)	Actual (Memorandum Only)
REVENUE				
Fines and fees				
License fees	\$ 466,500	\$ 465,640	\$ (860)	\$ 456,455
Examination fees	47,000	52,200	5,200	47,450
Fee recovery	55,500	64,248	8,748	58,068
Reciprocity fees	40,000	42,000	2,000	40,240
Firm registration fees	16,500	16,488	(12)	21,450
Other operating revenue	650	675	25	625
Investment income	1,850	1,786	(64)	1,890
Total revenue	<u>628,000</u>	<u>643,037</u>	<u>15,037</u>	<u>626,178</u>
EXPENDITURES				
Current				
Personnel services				
Contracted employees	45,000	66,963	(21,963)	44,552
Board member per diem	16,350	10,350	6,000	11,250
Salaries	215,200	214,200	1,000	198,073
State retirement	58,856	58,586	270	50,264
Payroll taxes	6,490	8,147	(1,657)	6,192
Group insurance	19,929	19,929	-	16,241
Workers' compensation insurance	-	-	-	1,934
	<u>361,825</u>	<u>378,175</u>	<u>(16,350)</u>	<u>328,506</u>
Travel	64,000	46,952	17,048	49,253
Operating				
Audit	7,300	7,300	-	7,100
Annual software fees and technology support	45,577	23,767	21,810	37,244
Bank charges	17,000	16,938	62	16,802
Background investigation	6,120	6,617	(497)	6,817
Committee and miscellaneous	13,295	6,378	6,917	11,729
Dues and registration	18,225	13,950	4,275	14,385
Equipment repairs and maintenance	5,000	5,559	(559)	5,751
Exam expense	5,000	4,085	915	-
Insurance	5,061	4,569	492	2,949
Legal	94,167	93,310	857	71,423
Lobbying	18,000	18,000	-	18,000
Office rent	18,176	18,176	-	17,907

NEVADA STATE BOARD OF ACCOUNTANCY
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE ACTUAL TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015
	Original and Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Favorable (Unfavorable)	Actual (Memorandum Only)
EXPENDITURES (Continued)				
Current (Continued)				
Operating (Continued)				
Office supplies	\$ 2,500	\$ 3,103	\$ (603)	\$ 2,523
Postage	8,600	7,695	905	4,125
Printing and copying	2,500	8,794	(6,294)	1,141
State fee assessment	5,200	7,086	(1,886)	5,457
Telephone	6,500	6,683	(183)	6,286
Transcript	2,500	2,155	345	2,420
	<u>280,721</u>	<u>254,165</u>	<u>26,556</u>	<u>232,059</u>
Total current expenditures	<u>706,546</u>	<u>679,292</u>	<u>27,254</u>	<u>609,818</u>
Capital outlay				
Equipment and furniture	-	9,004	(9,004)	-
Total expenditures	<u>706,546</u>	<u>688,296</u>	<u>18,250</u>	<u>609,818</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ (78,546)</u>	<u>\$ (45,259)</u>	<u>\$ 33,287</u>	<u>\$ 16,360</u>

NEVADA STATE BOARD OF ACCOUNTANCY
SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST TEN FISCAL YEARS

	Measurement Dates	
	2015	2014
Proportion of the net pension liability (asset)	0.00326%	0.00325%
Proportionate share of the net pension liability (asset)	\$ 373,165	\$ 338,834
Covered-employee payroll	\$ 195,204	\$ 190,200
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	191.17%	178.78%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	76.30%

SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2016	2015
Contractually required contributions	\$ 58,586	\$ 50,264
Contributions in relation to contractually required contributions	(58,586)	(50,264)
Contribution deficiency (excess)	\$ -	\$ -
Board's covered-employee payroll	\$ 209,236	\$ 195,204
Contributions as a percentage of covered-employee payroll	28.00%	25.75%

Note:

Only two years of information is available due to reporting changes with GASB 68 for Fiscal Year 2015.

REPORT ON INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board
Nevada State Board of Accountancy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Nevada State Board of Accountancy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nevada State Board of Accountancy's basic financial statements, and have issued our report thereon dated September 27, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nevada State Board of Accountancy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nevada State Board of Accountancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nevada State Board of Accountancy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nevada State Board of Accountancy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reno, Nevada
September 27, 2016

