

NEVADA STATE BOARD OF ACCOUNTANCY

FINANCIAL STATEMENTS

JUNE 30, 2014

NEVADA STATE BOARD OF ACCOUNTANCY
JUNE 30, 2014

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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, 2014, 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, 2014, 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 and budgetary comparison information on pages 3 through 7 and 19 through 20, 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 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 18, 2014, 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.

Koller & Company

Reno, Nevada
September 18, 2014



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 (the "Board") financial condition and activities for the fiscal year ended June 30, 2014 is presented in conjunction with the audited financial statements.

Financial Highlights

- Program revenue for the fiscal year ended June 30, 2014 was approximately \$675,000 representing a \$120,000 increase over the fiscal year ended June 30, 2013. The increase is due to the Board collecting more fees for expenses incurred 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 Statement of Net Position and Governmental Fund Balance Sheet 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 Statement of Net Position and Governmental Fund Balance Sheet provide information about the nature and amount of resources and obligations at year-end. The Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Balance 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, 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 DISCUSSION AND ANALYSIS
CONDENSED STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>2014 Actual Government- Wide</u>	<u>2013 Actual Government- Wide</u>
ASSETS		
Cash and cash equivalents	\$ 1,320,692	\$ 1,277,883
Accounts receivable	7,850	17,760
Capital assets, net of accumulated depreciation	<u>4,383</u>	<u>5,982</u>
Total assets	<u>1,332,925</u>	<u>1,301,625</u>
LIABILITIES		
Current liabilities	<u>260,701</u>	<u>248,604</u>
Total liabilities	<u>260,701</u>	<u>248,604</u>
NET POSITION		
Invested in capital assets, net of related debt	4,383	5,982
Unrestricted	<u>1,067,841</u>	<u>1,047,039</u>
Total net position	<u>\$ 1,072,224</u>	<u>\$ 1,053,021</u>

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT DISCUSSION AND ANALYSIS
CONDENSED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014 Actual Government- Wide</u>	<u>2013 Actual Government- Wide</u>
EXPENSES		
Operations	\$ 313,205	\$ 243,405
Personnel	292,479	260,756
Travel	52,069	50,738
Total expenses	<u>657,753</u>	<u>554,899</u>
PROGRAM REVENUE		
Fees, licensing, and permits (charges for services)	673,982	554,375
Other operating revenue	954	675
Total program revenue	<u>674,936</u>	<u>555,050</u>
GENERAL REVENUE		
Investment income	<u>2,020</u>	<u>2,664</u>
Total revenue	<u>676,956</u>	<u>557,714</u>
Change in net position	19,203	2,815
NET POSITION		
Beginning of year	<u>1,053,021</u>	<u>1,050,206</u>
End of year	<u>\$ 1,072,224</u>	<u>\$ 1,053,021</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, 2014 was \$675,000 representing a \$120,000 increase over the fiscal year ended June 30, 2013.

Expenses: Operating expenses for the fiscal year ended June 30, 2014 were \$658,000 representing an increase over the fiscal year ended June 30, 2013 of \$103,000. The net increase is primarily due to an increase in personnel costs based on the Board's investigators now being categorized as employees and the increase in legal expenses based on disciplinary actions and hearings.

General Fund Budgetary Highlights

Total revenue received was more than the budgeted amount by \$108,000 primarily related to the increase in fee recovery from investigations and attorney's fees.

Total expenses were more than the budgeted amounts by \$23,000 primarily in the area of legal and investigative expenses.

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
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2014

	General Fund	Adjustments (Note 9)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 1,320,692	\$ -	\$ 1,320,692
Accounts receivable	6,150	1,700	7,850
Capital assets, net of accumulated depreciation	-	4,383	4,383
Total assets	\$ 1,326,842	6,083	1,332,925
 LIABILITIES			
Accounts payable	\$ 4,836	-	4,836
Accrued compensated absences	2,127	27,288	29,415
Licensing fees received in advance	226,450	-	226,450
Total liabilities	233,413	27,288	260,701
 FUND BALANCE / NET POSITION			
Fund balance			
Unassigned	1,093,429	(1,093,429)	-
Total liabilities and fund balance	\$ 1,326,842		
 Net position			
Invested in capital assets, net of related debt		4,383	4,383
Unrestricted		1,067,841	1,067,841
Total net position		\$ 1,072,224	\$ 1,072,224

See accompanying notes

NEVADA STATE BOARD OF ACCOUNTANCY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Adjustments (Note 9)	Statement of Activities
EXPENDITURES/EXPENSES			
Accountancy board operations	\$ 652,859	\$ 4,894	\$ 657,753
Capital outlay	-	-	-
Total expenditures/expenses	<u>652,859</u>	<u>4,894</u>	<u>657,753</u>
PROGRAM REVENUE			
Charges for services	<u>687,636</u>	<u>(12,700)</u>	<u>674,936</u>
Net program revenue	34,777	(17,594)	17,183
GENERAL REVENUE			
Investment income	<u>2,020</u>	<u>-</u>	<u>2,020</u>
Excess of revenue over expenditures	36,797	(36,797)	-
Change in net position	-	19,203	19,203
FUND BALANCE / NET POSITION			
Beginning of year	<u>1,056,632</u>	<u>(3,611)</u>	<u>1,053,021</u>
End of year	<u>\$ 1,093,429</u>	<u>\$ (21,205)</u>	<u>\$ 1,072,224</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada State Board of Accountancy (the 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, 2014

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.

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, 2014, is reflected in the statement of net position.

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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.

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.
- 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."

Subsequent Events

Subsequent events have been evaluated through September 18, 2014, 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.

NEVADA STATE BOARD OF ACCOUNTANCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

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, 2014, totaled \$1,329,441 with \$829,441 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.

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, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<u>Capital assets not being depreciated:</u>				
None	\$ -	\$ -	\$ -	\$ -
<u>Capital assets being depreciated</u>				
Office equipment and furniture	110,637	-	-	110,637
<u>Less: accumulated depreciation</u>				
Office equipment and furniture	<u>104,655</u>	<u>1,599</u>	<u>-</u>	<u>106,254</u>
Capital assets being depreciated, net	<u>5,982</u>	<u>(1,599)</u>	<u>-</u>	<u>4,383</u>
Total capital assets, net	<u>\$ 5,982</u>	<u>\$ (1,599)</u>	<u>\$ -</u>	<u>\$ 4,383</u>

NOTE 4 - LONG-TERM OBLIGATIONS ACTIVITY

Following is a summary of the change in long-term obligations:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Compensated absences	\$ 26,395	\$ 3,020	\$ -	\$ 29,415	\$ 2,127
Total	<u>\$ 26,395</u>	<u>\$ 3,020</u>	<u>\$ -</u>	<u>\$ 29,415</u>	<u>\$ 2,127</u>

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 \$1,472 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>		
2015	\$	17,885
2016		18,153
2017		18,426
2018		18,702
Thereafter		101,169

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>		
2015	\$	2,391
2016		2,391
2017		2,391
2018		1,793

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Nevada State Board of Accountancy contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement, disability, and death benefits, including annual cost-of-living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may be amended only through legislation. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

Funding Policy. The Board is enrolled in the employer-pay contribution plan. In this plan, the Board is required to contribute all amounts due. The contribution requirements of plan members and the Board are established under Chapter 286 of the Nevada Revised Statutes. The Board's contribution rate for the year ending June 30, 2014 was 25.75% and 23.75% for the years ended 2013 and 2012. The Board contributed \$48,977, \$41,135, and \$38,760, for the years ending June 30, 2014, 2013, and 2012, respectively.

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, 2014, the Board paid the State \$27,099 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.

NEVADA STATE BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 \$1,700, the capitalization of fixed assets of \$110,637, accumulated depreciation of \$106,254, depreciation expense of \$1,599, and the recognition of liabilities for vacation payable \$6,634 and unpaid sick leave of \$22,781.

NOTE 10 - NEW PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Management has not yet completed its assessment of this statement and is expecting to receive information from PERS that will enable the Board to account for and report the information required under this new statement.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA STATE BOARD OF ACCOUNTANCY
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014			2013
	Original and Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Favorable (Unfavorable)	Actual (Memorandum Only)
REVENUE				
Fines and fees				
License fees	\$ 445,000	\$ 445,353	\$ 353	\$ 435,660
Examination fees	42,500	44,600	2,100	42,300
Fee recovery	45,000	137,129	92,129	31,940
Reciprocity fees	33,000	46,500	13,500	29,400
Firm registration fees	12,500	13,100	600	12,425
Other operating revenue	700	954	254	675
Investment income	2,500	2,020	(480)	2,664
Total revenue	<u>581,200</u>	<u>689,656</u>	<u>108,456</u>	<u>555,064</u>
EXPENDITURES				
Current				
Personnel services				
Contracted employees	13,520	17,242	(3,722)	11,148
Board member per diem	15,450	12,450	3,000	12,300
Salaries	190,200	189,924	276	170,359
State retirement	48,977	48,977	-	41,135
Payroll taxes	3,836	3,994	(158)	3,215
Group insurance	18,694	18,694	-	19,840
Workers' compensation insurance	-	1,198	(1,198)	2,759
	<u>290,677</u>	<u>292,479</u>	<u>(1,802)</u>	<u>260,756</u>
Travel	60,000	52,069	7,931	50,738
Operating				
Audit	7,100	6,950	150	6,950
Annual software fees and technology support	33,000	32,846	154	25,707
Bank charges	14,500	14,754	(254)	14,222
Background investigation	5,250	6,900	(1,650)	4,763
Committee and miscellaneous	4,810	5,382	(572)	1,649
Dues and registration	14,965	12,958	2,007	15,840
Equipment repairs and maintenance	5,600	5,510	90	4,989
Insurance	5,154	2,792	2,362	1,347
Investigation	12,500	32,027	(19,527)	9,991
Legal	112,116	140,096	(27,980)	97,018
Lobbying	18,000	2,250	15,750	10,000
Office rent	18,194	18,194	-	23,965
Office supplies	2,000	2,016	(16)	1,752

See accompanying notes

NEVADA STATE BOARD OF ACCOUNTANCY
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014			2013
	Original and Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Favorable (Unfavorable)	Actual (Memorandum Only)
EXPENDITURES (Continued)				
Current (Continued)				
Operating (Continued)				
Postage	\$ 4,000	\$ 4,285	\$ (285)	\$ 3,420
Printing and copying	7,600	7,636	(36)	5,494
State fee assessment	5,475	5,501	(26)	5,285
Telephone	6,500	6,416	84	6,615
Transcript	2,000	1,798	202	1,804
	<u>278,764</u>	<u>308,311</u>	<u>(29,547)</u>	<u>240,811</u>
Total current expenditures	<u>629,441</u>	<u>652,859</u>	<u>(23,418)</u>	<u>552,305</u>
Excess of revenue over expenditures	\$ <u>(48,241)</u>	\$ <u>36,797</u>	\$ <u>85,038</u>	\$ <u>2,759</u>

See accompanying notes

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, 2014, 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 18, 2014.

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.

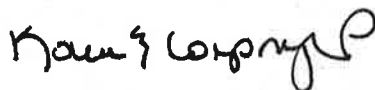
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 18, 2014