



Financial Statements
June 30, 2019

Nevada State Board of Accountancy

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Independent Auditor's Report

To the Members of the Board
Nevada State Board of Accountancy
Reno, Nevada

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, 2019, 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, 2019, 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.

Report on Summarized Comparative Information

The 2018 financial statements of the Board were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose report dated October 30, 2018 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative budget and actual information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, pension and other post-employment benefits information on pages 4-7, 25, 26-27, 28-30, 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, pension, and other post-employment benefits 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 this required 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 November 20, 2019, 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 the effectiveness of the Board's 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.

Eide Sallee LLP

Reno, Nevada
November 20, 2019

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 is presented in conjunction with the audited financial statements.

Financial Highlights

- Program revenue for the fiscal year ended June 30, 2019 was approximately \$654,000 representing a \$43,000 increase from the fiscal year ended June 30, 2018. The increase is primarily due to more income 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)
FOR THE YEAR ENDED JUNE 30, 2018

CONDENSED STATEMENTS OF NET POSITION
JUNE 30, 2019

	<u>2019</u> Actual Government- Wide	<u>2018</u> Actual Government- Wide
ASSETS		
Cash and cash equivalents	\$ 1,269,188	\$ 1,268,727
Accounts receivable	20,060	22,499
Capital assets, net of accumulated depreciation	<u>15,842</u>	<u>20,488</u>
Total assets	<u>1,305,090</u>	<u>1,311,714</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	<u>84,442</u>	<u>82,758</u>
	<u>1,389,532</u>	<u>1,394,472</u>
LIABILITIES		
Current liabilities	276,413	291,800
Non-current liabilities	645,766	617,619
Total liabilities	<u>922,179</u>	<u>909,419</u>
DEFERRED INFLOWS OF RESOURCES		
Total Liabilities and Deferred Inflows of Resources	<u>48,815</u>	<u>53,955</u>
	<u>970,994</u>	<u>963,374</u>
NET POSITION		
Invested in capital assets, net	15,842	20,488
Unrestricted	<u>402,696</u>	<u>410,610</u>
Total net position	<u>\$ 418,538</u>	<u>\$ 431,098</u>

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

CONDENSED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019 Actual Government- Wide</u>	<u>2018 Actual Government- Wide</u>
EXPENSES		
Operations	\$ 241,192	\$ 275,665
Personnel	392,220	391,765
Travel	45,254	48,948
Total expenses	<u>678,666</u>	<u>716,378</u>
PROGRAM REVENUE		
Fees, licensing, and permits (charges for services)	653,647	611,008
Other operating revenue	225	125
Total program revenue	<u>653,872</u>	<u>611,133</u>
GENERAL REVENUE		
Investment income	<u>12,234</u>	<u>1,864</u>
Total revenue	<u>666,106</u>	<u>612,997</u>
Change in net position	<u>\$ (12,560)</u>	<u>\$ (103,381)</u>

NEVADA STATE BOARD OF ACCOUNTANCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

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, 2019 was \$654,000 representing a \$43,000 increase from the fiscal year ended June 30, 2018.

Expenses: Operating expenses for the fiscal year ended June 30, 2019 were \$679,000 representing a decrease from the fiscal year ended June 30, 2018 of \$38,000. The net decrease is primarily due to the decreased costs in connection with legal fees during the legislative session.

General Fund Budgetary Highlights

Total revenue received was \$10,000 more than the amount budgeted due to increased license, examination, and reciprocity fees.

Total expenses were less than the budgeted amounts by approximately \$56,000.

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.

Nevada State Board of Accountancy
Balance Sheet and Statement of Net Position – Governmental Fund
June 30, 2019

	General Fund	Adjustments (Note 9)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 1,269,188	\$ -	\$ 1,269,188
Accounts receivable	9,549	10,511	20,060
Capital assets, net of accumulated depreciation	-	15,842	15,842
Total assets	1,278,737	26,353	1,305,090
Deferred Outflows of Resources			
Pension requirement	-	84,442	84,442
Total Assets and Deferred Outflows of Resources	<u>\$ 1,278,737</u>	110,795	1,389,532
Liabilities			
Current liabilities			
Accounts payable	\$ 2,893	-	2,893
Accrued compensated absences	-	25,000	25,000
Licensing fees received in advance	248,520	-	248,520
Total current liabilities	251,413	25,000	276,413
Non-current liabilities			
Accrued compensated absences	-	20,609	20,609
Net other post-employment benefits liability	-	172,378	172,378
Net pension liability	-	452,779	452,779
Total non-current liabilities	-	645,766	645,766
Total liabilities	251,413	670,766	922,179
Deferred Inflows of Resources			
Other post-employment benefits	-	11,558	11,558
Pension requirement	-	37,257	37,257
Total deferred inflows of resources	-	48,815	48,815
Total Liabilities and Deferred Inflows of Resources	251,413	719,581	970,994
Fund balance			
Unassigned	1,027,324	(1,027,324)	-
Total liabilities and fund balance	<u>\$ 1,278,737</u>		
Net position			
Invested in capital assets, net		15,842	15,842
Unrestricted		402,696	402,696
Total Net Position		<u>\$ 418,538</u>	<u>\$ 418,538</u>

Nevada State Board of Accountancy
Revenue, Expenditures, and Changes in Fund Balance and Statement of Activities – Governmental Fund
Year Ended June 30, 2019

	General Fund	Adjustments (Note 9)	Statement of Activities
Expenditures/Expenses			
Accountancy board operations	\$ 667,720	\$ 10,946	\$ 678,666
Total expenditures/expenses	667,720	10,946	678,666
Program Revenue			
Charges for services	655,045	(1,173)	653,872
Net program revenue	(12,675)	(12,119)	(24,794)
General Revenue			
Investment income	12,234	-	12,234
Excess (Deficiency) of Revenue over (under) Expenditures	(441)	441	-
Change in Net Position	-	(12,560)	(12,560)
Fund Balance/Net Position			
Beginning of year	1,027,765	(596,667)	431,098
End of year	\$ 1,027,324	\$ (608,786)	\$ 418,538

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.

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 it is 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 one commercial bank 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 represents 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, 2019, 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 and other post-employment benefits 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.
- 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, related 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, related deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Self Insurance Trust Fund, Public Employees' Benefits Program (PEBP) and additions to/deductions from PEBP's fiduciary net position have been determined on the same basis as they are reported by PEBP. For this purpose, PEBP recognizes benefit payments when due and payable in accordance with the benefit terms. PEBP's cash and cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to materiality that they present insignificant risk of changes in value due to changing interest rates.

Subsequent Events

Subsequent events have been evaluated through November 20, 2019, 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 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 one major commercial bank. 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, 2019, totaled \$1,293,000 with \$1,043,000 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>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Capital assets, being depreciated				
Office equipment and furniture	\$ 110,494	\$ -	\$ -	\$ 110,494
Total capital assets, being depreciated	110,494	-	-	110,494
Less accumulated depreciation				
Office equipment and furniture	90,006	4,646		94,652
Net capital assets	<u>\$ 20,488</u>	<u>\$ (4,646)</u>	<u>\$ -</u>	<u>\$ 15,842</u>

Note 4 - Long-Term Obligations Activity

Following is a summary of the change in long-term obligations, other than the net pension and other post-employment benefits liabilities:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 40,023</u>	<u>\$ 32,160</u>	<u>\$ (26,574)</u>	<u>\$ 45,609</u>	<u>\$ 25,000</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 \$1,586 with escalation clauses as detailed in the lease occurring subsequent to year end.

The Board also leases a copier and postal meter with fixed monthly payments of \$230 and \$136 respectively, with additional charges for usage as detailed in the lease agreement. The copier lease term commenced on January 6, 2018 and expires on January 6, 2023. Additionally, the postal meter lease term commenced on July 31, 2015 and expires on July 31, 2020.

The following is a schedule of future minimum rental payments for the next five years:

	<u>Year Ending June 30,</u>	
2020		\$ 23,657
2021		22,311
2022		22,605
2023		21,525
2024		3,366

Note 6 - Pensions

General Information About the Pension Plan

Plan Description

PERS (System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system 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

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 and for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

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% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% 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.

Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

Regular members entering the System prior to January 1, 2010 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. Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, or at age 62 with 20 years of service or at age 55 with 30 years of service or at any age with 33 1/3 years of service.

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

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. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

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.

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.

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.

For the fiscal years ended June 30, 2019 the Statutory Employer/employee matching rate was 14.50% for Regular employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Board reported a liability of \$452,779 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 its combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2018. At June 30, 2018, the Board's proportion was .00332%.

For the year ended June 30, 2019, the Board recognized pension expense of \$31,612. Amounts totaling \$31,224 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, 2020. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,184	\$ 21,017
Changes of assumptions	23,859	-
Net difference between projected and actual investment earnings on pension plan investments	-	2,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,175	14,085
Contributions subsequent to the measurement date	31,224	-
	<u>\$ 84,442</u>	<u>\$ 37,257</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:

<u>Year Ended June 30,</u>	
2020	\$ 11,987
2021	4,380
2022	(6,627)
2023	2,685
2024	3,040
2025	496
	<u>\$ 15,961</u>

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 service lives, which was 6.22 years for the measurement period ending June 30, 2018.

Reconciliation of the net pension liability at June 30, 2019 is as follows:

Beginning net pension liability	\$ 444,769
Pension expense	31,612
Employer contributions	(30,801)
Current year net deferred (inflows) and outflows	<u>7,199</u>
Ending net pension liability	<u><u>\$ 452,779</u></u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2018, 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	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer price index	2.75%
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuation

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2018.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018. 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, 2018, 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, 2018.

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, 2018:

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%

*As of June 30, 2018, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2018, calculated using the discount rate of 7.50%, 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 (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net pension liability	\$ 690,461	\$ 452,779	\$ 225,269

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 - Other Post Employment Retirement Benefits (OPEB)

General Information About the OPEB Plan

Plan Description

Employees of the Board are provided with OPEB through the Self Insurance Trust Fund, Public Employees' Benefits Program (PEBP) - a cost-sharing multiple employer defined benefit OPEB plan administered by the

Public Employees' Benefits Program Board (PEBP Board) which was created in 1983 by the Nevada Legislature to administer group health, life and disability insurance for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. PEBP does not provide for refunds of employee contributions. The Self Insurance Trust Fund issues a publicly available financial report that can be obtained at <https://pebp.state.nv.us/>. The Board is reporting plan information consistently with the PEBP's accounting methods and assumptions as disclosed in the annual report. No information has come to our attention that indicates significant changes to the plan's disclosures.

Benefits Provided

PEBP provides medical, dental, vision, mental health and substance abuse and also offers fully insured HMO products. Long-term disability and life insurance benefits are fully insured by outside carriers.

Contributions

Per NRS 287 contribution requirements of the participating entities and covered employees are established and may be amended by the PEBP Board. The Boards' contractually required contribution for the year ended June 30, 2019 was \$5,163, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Board reported a liability of \$172,378 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating state agencies, actuarially determined. At June 30, 2019, the Board's proportion was 0.0130%.

For the year ended June 30, 2019, the Board recognized OPEB expense of \$9,172. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 11,537
Asset experience	-	21
	<u>\$ -</u>	<u>\$ 11,558</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2020	\$	(3,795)
2021		(3,795)
2022		(3,182)
2023		(786)
		\$ (11,558)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75%
Salary increases	4.37%, average
Investment rate of return	3.87
Healthcare cost trend rates	7.5% for 2018, see report for additional years

Mortality rates were based on the RP-2000 Combined Mortality projected to 2014 with Scale AA, set back one year for females. Disabled Mortality rates were based on the RP-2000 Disabled Retiree Mortality projected to 2014 with Scale AA, set forward three years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial valuation date of January 1, 2018, adjusted by using roll-forward procedures to determine the liability at the measurement date.

Discount Rate

The discount rate basis under GASB 75 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate.

The discount rates as of June 30, 2018 was 3.87%. Additional detail regarding the discount rates as of June 30, 2018 are provided in the "Actuarial Assumptions and Methods" section of the report proved by the PEBP Board.

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate 2.87%	Discount Rate 3.87%	1% Increase in Discount Rate 4.87%
Net OPEB liability	\$ 189,930	\$ 172,378	\$ 157,124

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 3.5%)	Health Care Cost Trend (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 5.5%)
Net OPEB liability	\$ 160,788	\$ 172,378	\$ 186,060

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

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 \$10,511, fixed assets of \$110,494 accumulated depreciation of \$94,652, depreciation expense of \$4,646, the recognition of deferred inflows and outflows of resources due to the pension requirements and pension liability, net, of \$405,594, the change in deferred inflows, outflows of resources due to the OPEB requirements and OPEB liability, net, of \$183,936 and the recognition of liabilities for vacation payable and sick leave of \$45,609.

Nevada State Board of Accountancy
Statement of Revenue and Expenditures – Budget and Actual
Year Ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	2019			2018
	Original and Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget	Actual (Memorandum Only)
Revenue				
Fines and fees				
License fees	\$ 502,465	\$ 491,705	\$ (10,760)	\$ 475,623
Examination fees	40,500	46,000	5,500	42,250
Fee recovery	60,300	51,515	(8,785)	88,657
Reciprocity fees	1,875	50,000	48,125	39,250
Firm registration fees	38,500	15,600	(22,900)	13,300
Other operating revenue	13,500	225	(13,275)	372
Investment income	375	12,234	11,859	1,788
Total revenue	<u>657,515</u>	<u>667,279</u>	<u>9,764</u>	<u>661,240</u>
Expenditures				
Current				
Personnel services				
Contracted employees	43,200	42,304	896	35,405
Board member per diem	23,700	17,700	6,000	12,900
Salaries	220,000	234,525	(14,525)	220,710
State retirement	61,600	62,447	(847)	60,033
Payroll taxes	6,495	6,437	58	5,875
Group insurance	21,200	21,200	-	19,912
Workers' compensation insurance	-	1,307	(1,307)	2,299
	<u>376,195</u>	<u>385,920</u>	<u>(9,725)</u>	<u>357,134</u>
Travel	<u>52,500</u>	<u>45,254</u>	<u>7,246</u>	<u>31,232</u>
Operating				
Audit	7,700	7,700	-	7,700
Annual software fees and technology support	35,000	29,074	5,926	27,039
Bank charges	15,500	17,613	(2,113)	17,818
Background investigation	6,000	7,220	(1,220)	5,763
Community Outreach	14,000	9,295	4,705	-
Committee and miscellaneous	5,800	6,238	(438)	5,516
Dues and registration	16,000	15,110	890	11,373
Equipment repairs and maintenance	5,100	6,056	(956)	4,953
Exam expense	3,000	1,063	1,937	6,057
Fines to State	12,300	14,891	(2,591)	-
Insurance	5,322	3,204	2,118	3,203
Legal	105,000	58,980	46,020	77,712
Lobbying	18,000	18,000	-	18,000
Office rent	19,005	19,006	(1)	18,448
Office supplies	2,500	3,735	(1,235)	2,797
Postage	2,500	2,261	239	2,142
Printing and copying	1,000	1,173	(173)	172
State fee assessment	6,648	7,074	(426)	5,701
Telephone	7,600	7,431	169	7,753
Transcript	1,800	1,422	378	1,631
	<u>289,775</u>	<u>236,546</u>	<u>53,229</u>	<u>223,778</u>
Total current expenditures	<u>718,470</u>	<u>667,720</u>	<u>50,750</u>	<u>612,144</u>
Capital outlay				
Equipment and furniture	5,000	-	5,000	19,066
Total expenditures	<u>723,470</u>	<u>667,720</u>	<u>55,750</u>	<u>631,210</u>
Excess (Deficiency) of Revenue over (under) Expenditures	<u>\$ (65,955)</u>	<u>\$ (441)</u>	<u>\$ (45,986)</u>	<u>\$ 30,030</u>

Nevada State Board of Accountancy
Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.00332%	0.00334%	0.00347%	0.00326%	0.00325%
Proportionate share of the net pension liability	\$ 452,779	\$ 444,769	\$ 467,082	\$ 373,165	\$ 338,834
Covered payroll	\$ 220,000	\$ 214,404	\$ 210,200	\$ 195,204	\$ 190,200
Proportionate share of the net pension liability as a percentage of its covered payroll	205.81%	207.44%	222.21%	191.17%	178.78%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	74.40%	72.20%	75.10%	76.30%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the Board will present information only for those years for which information is available.

Nevada State Board of Accountancy
Schedule of Contributions – Net Pension Liability
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 31,224	\$ 30,800	\$ 30,017	\$ 29,293	\$ 25,132
Contributions in relation to the contractually required contribution	\$ (31,224)	\$ (30,800)	\$ (30,017)	\$ (29,293)	\$ (25,132)
Board's covered payroll	\$ 223,025	\$ 220,000	\$ 214,404	\$ 209,236	\$ 195,204
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	12.87%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the Board will present information only for those years for which information is available.

Nevada State Board of Accountancy
 Schedule of Changes in Other Post-Employment Benefits Liability
 Last Ten Fiscal Years

	2019	2018
Proportion of the net OPEB liability	0.01300%	0.01330%
Proportionate share of the net OPEB liability	\$ 172,586	\$ 173,046
Covered payroll	\$ 220,000	\$ 214,404
Proportionate share of the net OPEB liability as a percentage of its covered payroll	78.45%	80.71%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the Board will present information only for those years for which information is available.

Nevada State Board of Accountancy
 Schedule of Contributions – Other Post-Employment Benefits Liability
 Last Ten Fiscal Years

	2019	2018
Contractually required contributions	\$ 5,163	\$ 5,054
Contributions in relation to those contractually required	\$ (5,163)	\$ (5,054)
Board's covered payroll	\$ 220,000	\$ 214,404
Contributions as a percentage of covered payroll	2.35%	2.36%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the Board will present information only for those years for which information is available.

Note 1 - Other Post-Employment Benefit (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The valuation reflects the following assumption changes from the July 1, 2017 measurement date to the July 1, 2018 measurement date:

- Discount rate change from 3.58% to 3.87%



**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
Reno, Nevada

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, 2019, 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 November 20, 2019.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Reno, Nevada
November 20, 2019