

Nevada State Board of Professional
Engineers and Land Surveyors
Reno, Nevada

Financial Report
Year Ended June 30, 2020

Nevada State Board of Professional Engineers and Land Surveyors

Year Ended June 30, 2020

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Casey Neilson, Inc.
Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nevada State Board of Professional Engineers and Land Surveyors
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Nevada State Board of Professional Engineers and Land Surveyors (the "Board"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 opinions 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Board of as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 6, the budgetary comparison – general fund on page 20 and the schedule of changes in other post employment benefits liability and related ratios on page 12 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, 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 solely 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.



Carson City, Nevada
October 28, 2020

Management's Discussion and Analysis

Nevada State Board of Professional Engineers and Land Surveyors

Management's Discussion and Analysis

June 30, 2020

The Board members' and management's discussion and analysis of the Nevada State Board of Professional Engineers and Land Surveyors (the "Board") financial position and activities for the fiscal year ended June 30, 2020 is presented in conjunction with the audited financial statements.

Financial Highlights

- As of June 30, 2020, net position was \$1,381,139, which was a decrease of \$357,652 when compared to the 2019 balance of \$1,738,791.
- Total program revenues decreased by \$3,427 primarily due to a decrease in application fees, which was offset by increases in renewal fees, penalties and fines and other operating revenues.
- Total expenses increased by \$93,129 primarily due to the implementation of GASB 75 and increased program service expenditures, offset by decreases in lobbying expenses, office rent and travel.

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 fund financial statement reporting. The financial statements have been prepared in accordance with generally accepted accounting principles as they apply to governmental units. The fund financial statements include a balance sheet, a statement of revenues, 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 Revenues, Expenditures and Changes in Fund Balance presents 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 focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year, while changes in net position under the full accrual method are recorded as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows. This statement also provides certain information about the Board's recovery of its costs.

Nevada State Board of Professional Engineers and Land Surveyors
 Management's Discussion and Analysis
 June 30, 2020

The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the basic financial 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 by the Board's staff from the detailed books and records of the Board. The financial statements were audited during the independent external audit process.

Condensed Financial Information

Net position is summarized in the table below.

	2020	2019
Assets:		
Current assets	\$ 2,385,689	\$ 2,365,460
Non-current assets:		
Capital assets	144,698	147,213
Total Assets	<u>2,530,387</u>	<u>2,512,673</u>
Deferred Outflows	<u>16,188</u>	<u>-</u>
Liabilities		
Current liabilities	52,602	40,269
Noncurrent liabilities	<u>310,074</u>	<u>-</u>
Total Liabilities	<u>362,676</u>	<u>40,269</u>
Deferred Inflows	<u>802,760</u>	<u>733,613</u>
Net Position:		
Investment in capital assets	144,698	147,213
Unrestricted	<u>1,236,441</u>	<u>1,591,578</u>
Total net position	<u><u>\$ 1,381,139</u></u>	<u><u>\$ 1,738,791</u></u>

The net position decreased by \$357,652 due to the implementation of GASB 75.

Condensed Financial Information (Continued)

Revenues, expenses, and changes in net position are summarized in the table below.

**Condensed Statement of Activities
 For Fiscal Years Ending June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Revenues:		
Program:		
Charges for services	\$ 1,019,136	\$ 1,022,563
General:		
Other	25,302	24,841
	<u>1,044,438</u>	<u>1,047,404</u>
Total revenue	<u>1,044,438</u>	<u>1,047,404</u>
Expenses:		
Board expenditures	<u>1,118,583</u>	<u>1,025,454</u>
Change in net position	<u>\$ (74,145)</u>	<u>\$ 21,950</u>

Total expenses increased by \$93,129 in 2020 compared to 2019 primarily due to beginning a contract with Vogel Designs as of August 22, 2019 for communications, public outreach, and social media services and due to the implementation of GASB 75.

General Fund Budgetary Comparison

The original budget was passed with expenditures expected to exceed revenues by \$203,790. Actual results show revenues exceeded the final budget by \$114,188 mainly due to the application fees exceeding budget by \$28,100 and renewal fees exceeding budget by \$44,537. Expenditures were less than the final budget by \$54,557 mainly due to database/website design being less than the budgeted amount by \$53,720, lobbying being less than the budgeted amount by \$25,628, and equipment/furniture being less than the budgeted amount by \$12,717. Total expenditures exceeded revenue by \$35,045.

Capital assets

The Board has a total of \$144,698 in net capital assets as of the year ended June 30, 2020. These assets include intangible web design costs, office equipment and furnishings. See Note 4 for additional information on the Board’s Capital Assets.

Nevada State Board of Professional Engineers and Land Surveyors

Management's Discussion and Analysis

June 30, 2020

Economic and Other Factors

It's been over a decade since the Great Recession impacted Nevada's economy. Out of all the US states in recent years, Nevada experienced the greatest employment growth during the recovery period, and that included growth in numbers of engineers seeking licensure in Nevada. Nevada's efforts to diversify its economy resulted in professional sector expansion. Eclectic companies relocated to Nevada and we experienced growth in small, medium, and large technology companies. Early 2020, the world economy was devastated by a pandemic. On March 17, 2020, Nevada Governor Sisolak ordered all non-essential businesses to close for 30 days to slow the spread of COVID-19. Widespread lockdown restrictions for the remainder of the fiscal year resulted in a massive spike in unemployment, rivaling the Great Recession. The devastating impacts will likely not be fully known for many years. Recognizing the Board will be impacted by loss of revenues due to likely decreasing numbers of professionals seeking licensure in Nevada, the Board has considered contingency budgets to aggressively cut expenses. The Board is actively monitoring the US and Nevada economy and is prepared to make budgetary adjustments to sustain and meet its operational obligations.

In fiscal year 2019/2020 Nevada had 139 professional engineers retire, it added 1,098 new engineering licensees bringing the total number of licensed professional engineers to 19,178. During that same time frame, there were 20 new land surveyor licensees bringing the number of licensed professional land surveyors to 1,228. About 10% of new licensees are licensed for the first time in Nevada and the remaining 90% are licensed by comity/endorsement.

Program Enhancements

In 2008, the downturn in the Nevada economy significantly impacted the number of Nevada licensees. According to the Nevada chapter of American Consulting Engineering Companies, Nevada lost 60% of its engineers. The loss of licensees negatively impacted Board revenues requiring the Board to aggressively cut expenses and defer expenses related to program enhancements. The Board continues to work to decrease expenses. The goal has been to improve current automated processes related to licensure and renewals and to automate other customer services such as firm registration and corporate name requests while also improving customer service. In automating processes, staff time is reduced resulting in lower labor costs and expenses are reduced by eliminating paper, printing, and mailing costs.

Deferred enhancements and program improvements are described in the Board's business plan. Because of the Board's healthy reserves built up during the recovery period following the Great Depression, the focus continues to be on addressing deferred enhancements and improving customer service while streamlining and speeding the licensing process. The Board will continue automating processes, improving customer experience, and reducing staff time and resources needed to complete transactions.

Contacting the Board's Financial Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Board at (775) 688-1231.

Basic Financial Statements

Nevada State Board of Professional Engineers and Land Surveyors
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2020

	General Fund	Adjustments (Note 8)	Statement of Activities
Assets			
Current assets			
Cash and cash equivalents	\$ 807,284	\$ -	\$ 807,284
Investments	1,559,335	-	1,559,335
Prepaid expenses	19,070	-	19,070
Total current assets	2,385,689	-	2,385,689
Noncurrent assets			
Capital assets:			
Depreciated, net of accumulated depreciation	-	144,698	144,698
Total assets	\$ 2,385,689	144,698	2,530,387
Deferred Outflows of Resources			
Deferred outflows related to OPEB	-	16,188	16,188
Liabilities			
Current liabilities			
Accounts payable	\$ 7,376	-	7,376
Accrued payroll	17,292	-	17,292
Accrued compensated absences	-	27,934	27,934
Total current liabilities	24,668	27,934	52,602
Noncurrent liabilities			
Net OPEB liabilities	-	310,074	310,074
Total liabilities	24,668	338,008	362,676
Deferred Inflows of Resources			
License fees received in advance	783,922	-	783,922
Deferred inflows related to OPEB	-	18,838	18,838
Total deferred inflows of resources	783,922	18,838	802,760
Fund Balance/Net Position			
Fund balance:			
Nonspendable	19,070	(19,070)	-
Assigned	380,000	(380,000)	-
Unassigned	1,178,029	(1,178,029)	-
Total fund balance	1,577,099	(1,577,099)	-
Total liabilities, deferred inflows, and fund balance	\$ 2,385,689		
Net Position			
Investment in capital assets		144,698	144,698
Unrestricted		1,236,441	1,236,441
Total net position		\$ 1,381,139	\$ 1,381,139

Nevada State Board of Professional Engineers and Land Surveyors
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in
Fund Balance
For the year ended June 30, 2020

	General Fund	Adjustments (Note 8)	Statement of Activities
Expenditures/Expenses			
Board expenditures	\$ 1,079,483	\$ 39,100	\$ 1,118,583
Program Revenues			
Charges for services	1,019,136	-	1,019,136
Net program revenues	(60,347)	(39,100)	(99,447)
General Revenues			
Investment income	25,302	-	25,302
Excess of revenues over expenditures	(35,045)	35,045	-
Change in net position	-	(74,145)	(74,145)
Fund Balance/Net Position			
Beginning of year, as previously reported	1,612,124	126,647	1,738,771
Prior period adjustment			
Change in accounting principle implementation of GASB 75	-	(283,487)	(283,487)
Beginning of year, as restated	1,612,124	(156,840)	1,455,284
End of year	\$ 1,577,079	\$ (195,940)	\$ 1,381,139

Note 1 –Summary of Significant Accounting Policies

Introduction

The Nevada State Board of Professional Engineers and Land Surveyors (the “Board”) was created in 1919 and is regulated by the Nevada Revised Statutes (NRS) 625, which also specifies the authorized activities of the Board. The fund is used to account for the proceeds of licensing and examination fees and other revenues that are legally restricted to expenditures for specified purposes.

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the government are described below.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Financial Reporting Entity

The accompanying financial statements present the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials are financially accountable or whose exclusion would render the financial statements misleading because of nature and significance of their relationship. According to this criteria, the Board has not identified any component units that are required to be included in the basic financial statements.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The government considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except compensated absences, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Budgetary Basis of Accounting

The Executive Director prepares an annual budget. Approval and revisions of the budget are performed by the Board's Administrative Procedures Oversight Committee. The final budget is prepared on a basis similar to generally accepted accounting principles and is approved by the Board Members at a public meeting held typically in May of each year for the upcoming fiscal year.

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Nevada State Board of Professional Engineers and Land Surveyors

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments consisting of time certificates of deposit are stated at cost which approximates fair market value and are not subject to fair value reporting requirements. By statutes, all investments must be deposited in entities that are located in the state of Nevada.

Capital Assets

Capital assets, which include intangible web site costs, furniture, fixtures, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated assets are recorded at their estimated acquisition 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 not capitalized. Capital assets are depreciated using the straight-line method over five to fifteen years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has \$16,188 attributable to other post employment benefits ("OPEB") that qualifies for reporting in this category.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section of 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 so will not be recognized as an inflow of resources (revenues) until that time. License fees related to future periods of \$783,922 are deferred and recognized as an inflow of resources in the year the license fees relate. Additionally the Board has \$18,838 attributable to OPEB that qualifies for reporting in this category.

Compensated Absences

It is the Board's policy to permit employees to accumulate earned but unused vacation benefits. Unused vacation pay will be paid upon termination to all employees. Vacation pay is accrued when incurred and reported as a liability in the government-wide financial statements. It is reported as a liability in the fund statements only when payment is due. It is also the Board's policy to grant regular full-time employees 80 hours per year of PTO (personal time off). Each eligible employee is given 80 hours of PTO effective January of each calendar year. Unused PTO hours at the end of the year are not paid to employees or carried over to the next calendar year.

Note 1: Summary of Significant Accounting Policies (Continued)

OPEB Liabilities

For purposes of measuring the OPEB liabilities, deferred outflows/inflows of resources, and benefit expenses, information about the fiduciary net position of the Public Employees' Benefit Program (PEBP) and PEBP's fiduciary net positions have been determined on the same basis as they are reported by PEBP. 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.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Below are definitions of the how these balances are reported.

Nonspendable Fund Balance - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The Board has nonspendable balances of \$19,070 relating to prepaid amounts.

Restricted Fund Balance - The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Examples of these restrictions could be those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Board has no restricted fund balances.

Nevada State Board of Professional Engineers and Land Surveyors

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Policies (Continued)

Committed Fund Balance - The Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contract requirements. The Board has no balances that are committed at year end.

Assigned Fund Balance - The assigned fund balance classification refers to amounts that are constrained by the Board's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Board to assign amounts to be used for specific purposes. The Board has assigned a total of \$380,000 at year end, which includes \$30,000 for website improvements - Phase 2, \$175,000 for a Data System Comprehensive Upgrade, and \$175,000 for an Electronic Submittal/Digital Signature Pathway.

Unassigned Fund Balance - The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. The Board has unassigned balances of \$1,178,029 at year end.

Minimum Fund Balance Policy - It is the desire of the Board to maintain an adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The Board has adopted a financial standard to maintain a General Fund minimum fund balance of 18 months of budgeted expenditures.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All interest income is reported as general revenues rather than as program revenues.

Note 2: Compliance with Nevada Revised Statutes and the Nevada Administrative Code

It is believed that the Board conformed to all significant statutory constraints on its financial administration during the year under Nevada Revised Statutes 218 and 625.

Note 3: Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2020, the government's bank balance was \$2,366,619 and the entire amount was insured or collateralized with securities held by the pledging or financial institution's trust department or agent in the government's name.

Nevada State Board of Professional Engineers and Land Surveyors
Notes to Financial Statements
June 30, 2020

Note 4: Capital Assets

The governmental activities capital asset activity for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets being depreciated:				
Web site costs	\$ 20,000	\$ -	\$ -	\$ 20,000
Furniture, fixtures and equipment	265,706	30,535	-	296,241
	<u>285,706</u>	<u>30,535</u>	<u>-</u>	<u>316,241</u>
Total capital assets being depreciated:	285,706	30,535	-	316,241
Less accumulated depreciation for:				
Web site costs	9,999	3,333	-	13,332
Furniture, fixtures and equipment	128,494	29,717	-	158,211
	<u>138,493</u>	<u>33,050</u>	<u>-</u>	<u>171,543</u>
Total accumulated depreciation	138,493	33,050	-	171,543
Total capital assets	<u>\$ 147,213</u>	<u>\$ (2,515)</u>	<u>\$ -</u>	<u>\$ 144,698</u>

Note 5: Defined Contribution Pension Plan

The Nevada State Board of Professional Engineers and Land Surveyors contribute to a SEP-IRA established January 1, 1994. To be eligible for these benefits, the employees must be eighteen years of age, full-time status, and have provided six months of service. The Board contributed 6% of gross wages, or \$24,927, for eligible employees, for the year ended June 30, 2020.

Note 6: Operating Leases

The Board currently leases office space in Reno, Nevada. The lease term commenced on October 10, 2018 that expires on December 31, 2028, with monthly rental payments ranging from \$4,380 to \$4,930. The Board also currently leases office space in Las Vegas, Nevada. The lease term commenced on January 15, 2018 and expires January 31, 2023, with monthly rental payments starting at \$2,275 per month for the first year and increasing each year to \$2,589 per month in the final year. Rent expenditures for the above leases totaled \$82,002 for the year ended June 30, 2020.

Note 6: Operating Leases (Continued)

The following is a schedule by years of future minimum rental payments for the remaining terms of the leases for the years ending June 30:

2021	\$ 84,958
2022	87,307
2023	73,830
2024	59,991
2025	61,647
2026-2029	<u>253,212</u>
Total	<u>\$ 620,945</u>

Note 7: Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to handle such risks of loss, the government purchases insurance coverage. The amounts of settlements have not exceeded insurance coverage for any of the past three years.

Note 8: Conversion to Government-Wide Financial Statements

Adjustments on the face of the financial statements were made to the fund balance sheet and statement of revenues, expenditures, and changes in fund balance in order to reconcile the fund financial statements to the government-wide statements of net position and statement of activities. Adjustments to the fund balance sheet include the effect of the capitalization of fixed assets of \$316,242, net of accumulated depreciation of (\$171,544), the recording of accrued compensated absences of \$27,934, and the recording of net OPEB liabilities of \$310,074. The adjustments to the statement of revenues, expenditures, and changes in fund balance include the effects of depreciation expense of \$33,050 offset by (\$30,535) in capital asset additions, the increase in compensated absences of \$7,348, and net OPEB expense of \$29,237.

Note 9: Pending Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87, Leases, will be effective for the Board beginning with its year ending June 30, 2022. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

Nevada State Board of Professional Engineers and Land Surveyors

Notes to Financial Statements

June 30, 2020

Note 10: Subsequent Events

The Board has evaluated subsequent events through October 28, 2020, the date which the financial statements were available to be issued.

The Board is responding to the recent COVID-19 outbreak with a measured, practical response. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration. Therefore, while the Board expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Note 11: Other Postemployment Benefit Obligation

The Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions was replaced by Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions with required implementation for plan fiscal years beginning after June 15, 2017. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The Board recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Board's future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

Plan Description and Eligibility

Certain employees of the State of Nevada ("State") are provided with OPEB through the Public Employees' Benefits Program (PEBP) – which administers 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. PEBP 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.

Contributions

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 and retired prior to October 1, 2010 at a rate that is based upon years of service prior to retirement. For employees that retired between October 1, 2010 and September 30, 2012, the State's obligation for a portion of the medical premiums is dependent upon the PERS eligibility requirements in effect at the time of retirement. Employees that retire after October 1, 2012 may elect to enroll in the PEBP health insurance plan, but the State is not obligated for any portion of their premiums.

Note 11: Other Postemployment Benefit Obligation (Continued)

Contributions (Continued)

There are no retired employees eligible to participate in this plan, and as the Board does not participate in the State’s retirement plan. 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, 2020, the Board paid the State \$9,506 for 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 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.

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

At June 30, 2020, the Board reported a liability of \$- for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. 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 0.023%.

For the year ended June 30, 2020, the Board recognized OPEB expense of \$29,237. At June 30, 2020, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 5,593
Changes of assumptions	6,681	13,245
System contributions subsequent to the measurement date	<u>9,506</u>	<u>-</u>
	<u>\$ 16,187</u>	<u>\$ 18,838</u>

Note 11: Other Postemployment Benefit Obligation (Continued)

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

<u>Year ending June 30,</u>	
2021	\$ (6,193)
2022	(5,145)
2023	(1,048)
2024	<u>229</u>
	<u>\$ (12,157)</u>

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

Inflation rate	2.75%
Salary increases	.50% productivity pay increase, 2.73% average promotional and merit salary increase
Investment rate of return	3.87%
Healthcare cost trend rates	6.50% initial, 4.50% ultimate

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, 2019 valuation were based upon certain demographic and other actuarial assumptions as recommended by the actuary, in conjunction with the State and guidance from the GASB statement.

Note 12: Disciplinary Proceedings and Contingencies

In connection with the Board’s enforcement program as prescribed by statute and regulation, it may seek recovery from licensees for costs incurred related to the investigative and disciplinary actions taken by the Board. Judgments made by the Board included stipulations for cost recoveries; these recovery amounts are presented as part of operating revenue. In addition, the Board is authorized to impose administrative fines. The Board acts as an agent for the State of Nevada with respect to the administrative fine; thus, fines collected by the Board are remitted to the State of Nevada.

Note 12: Disciplinary Proceedings and Contingencies (Continued)

Certain claims, suits and complaints associated with the Board’s ordinary course of business are pending or may arise. The Board believes the cases are without merit and intends to vigorously defend its positions. Accordingly, these financial statements do not include a liability for amounts that may arise from these cases.

Note 13 - New Accounting Pronouncement, Error Correction and Prior Period Adjustments

As of July 1, 2019, the Board adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information.

During 2020 the Board became aware that although the employees and retirees of the Board are not eligible for subsidized medical insurance during retirement, the special funding situation requirements of GASB 75 still applied, and a liability for the Board’s share of the liability for OPEB needed to be recorded. Accordingly, the Board adjusted net position at July 1, 2019 to reflect the OPEB.

Beginning net position was restated to adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability as follows:

Net position at June 30, 2019, as previously reported	\$ 1,738,771
Less net OPEB liability and related deferrals under GASB Statement No. 75	<u>(283,487)</u>
Net position at July 1, 2019, as restated	<u>\$ 1,455,284</u>

Required Supplementary Information

Nevada State Board of Professional Engineers and Land Surveyors
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2020
(With comparative totals for the year ended June 30, 2019)

	2020			Over (Under) Budget	2019
	Original Budget	Final Budget	Actual		Actual (Memo Only)
Revenues					
Fees and fines:					
Application fees	\$ 165,500	\$ 165,500	\$ 193,600	\$ 28,100	\$ 243,825
Renewal fees	628,250	628,250	672,787	44,537	645,024
Examination fees	1,800	1,800	1,680	(120)	3,740
Corporate registrations	65,400	65,400	72,400	7,000	69,501
Penalties and fines	2,500	2,500	11,150	8,650	1,621
Wet stamps	-	-	740	740	501
Document fees	2,000	2,000	950	(1,050)	4,375
Professional development event	15,000	15,000	15,543	543	15,939
Other operating revenue	40,600	40,600	50,286	9,686	38,037
Interest income	9,200	9,200	25,302	16,102	24,841
Total revenue	930,250	930,250	1,044,438	114,188	1,047,404
Expenditures					
Current:					
Personnel services					
Board member per diem	16,000	16,000	11,725	(4,275)	12,500
Salaries	392,000	392,000	410,532	18,532	385,604
Retirement	15,000	15,000	24,927	9,927	11,938
Payroll taxes	33,653	33,653	34,232	579	32,783
Employee group insurance	64,000	64,000	51,448	(12,552)	56,920
Total personnel services	520,653	520,653	532,864	12,211	499,745
Operating					
Audit	15,000	15,000	15,051	51	15,171
Contract services	10,000	10,000	6,222	(3,778)	14,344
Database/website design	65,660	65,660	11,940	(53,720)	12,660
Program services	51,625	51,625	67,831	16,206	12,748
Equipment lease	5,000	5,000	4,206	(794)	4,214
Equipment/furniture	56,640	56,640	43,923	(12,717)	100,846
Insurance	4,753	4,753	6,303	1,550	12
Legal	105,000	105,000	104,416	(584)	93,545
Lobbying	41,500	41,500	15,872	(25,628)	42,000
Merchant service fees	25,000	25,000	27,878	2,878	27,447
Miscellaneous	-	-	2,947	2,947	249
Office rent	90,509	90,509	91,401	892	109,159
Office supplies	20,000	20,000	10,193	(9,807)	19,312
Postage	7,000	7,000	7,209	209	8,964
Printing and copying	6,500	6,500	4,307	(2,193)	803
Travel	69,500	69,500	67,851	(1,649)	86,080
Professional development event	25,000	25,000	26,473	1,473	12,750
State administrative fees	5,700	5,700	11,928	6,228	3,463
Telephone	6,500	6,500	9,268	2,768	9,339
Disciplinary fees paid to General Fund	2,500	2,500	11,400	8,900	-
Total operating	613,387	613,387	546,619	(66,768)	573,106
Total expenditures	1,134,040	1,134,040	1,079,483	(54,557)	1,072,851
Excess of revenue over expenditures	\$ (203,790)	\$ (203,790)	\$ (35,045)	\$ 168,745	\$ (25,447)

Nevada State Board of Professional Engineers and Land Surveyors
Schedule of Changes in Other Postemployment Benefits Liability and Related Ratios
Year Ended June 30, 2020

Schedule of Changes in Net OPEB Liability
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>
Proportion of the net OPEB liability	0.0230%	0.0190%
Proportionate share of the net OPEB liability	\$341,931	\$251,807
Covered payroll	\$470,736	\$378,377
Proportionate share of the net OPEB liability as a percentage of its covered payroll	72.64%	66.55%

Schedule of Contributions
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 9,506	\$ 9,023
Contributions in relation to contractually required contributions	<u>(9,506)</u>	<u>(9,023)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*GASB Statement No. 75 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the Board will present information for those years for which information is available.

Casey Neilson, Inc.
Accountants and Advisors

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 Board of Directors of
Nevada State Board of Professional Engineers and Land Surveyors
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States 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 governmental activities and the major fund of the Nevada State Board of Professional Engineers and Land Surveyors (the "Board") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board'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 Board'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 Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Casey Nalon in cursive script.

Carson City, Nevada
October 28, 2020