



**Patty Mamola, PE**  
*Executive Director*

**Michael Kidd, PLS**  
*Chairman (6/30/23)*

**Thomas Matter**  
*Vice Chairman (6/30/25)*

**Gregory P DeSart, PE**  
*Member (6/30/2024)*

**Matt Gingerich, PLS**  
*Member (6/30/25)*

**Lynnette R Russell, PE**  
*Member (8/31/23)*

**Angelo A Spata, PE**  
*Member (6/30/24)*

**Karen D Purcell, PE**  
*Member (6/30/24)*

**L Brent Wright, PE/SE**  
*Member (6/30/23)*

**Robert Fyda, PE**  
*Member (6/30/24)*

November 21, 2022

Daniel L Crossman, Legislative Auditor  
Audit Division  
Legislative Counsel Bureau  
401 South Carson Street  
Carson City, NV 89701-4747

**Annual Audit Documents – Nevada Board of Professional Engineers and Land Surveyors**

Dear Mr Crossman:

Please find enclosed the reporting documents requested pursuant to NRS 218G.400.

The audit documents are indexed according to instructions received. Should you have any questions or need any further clarification, please feel free to contact me.

Best Regards,

Patty Mamola, PE  
Executive Director  
775.688.1231  
pmamola@boe.state.nv.us

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

Financial Report  
Year Ended June 30, 2022

# Nevada State Board of Professional Engineers and Land Surveyors

Year Ended June 30, 2022

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## Table of Contents

<b>Independent Auditor’s Report</b>	1 - 3
<b>Management’s Discussion and Analysis</b>	4 - 7
<b>Basic Financial Statements</b>	
Statement of Net Position and Governmental Fund Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	9
Notes to Financial Statements	10 - 20
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	21
Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios	22
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i></b>	23 - 24

*Casey Neilson, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

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

***Opinions***

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 ("Board") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, of the Board, as of June 30, 2022, 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.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 November 8, 2022, 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.

A handwritten signature in cursive script that reads "Casey Nelson".

Carson City, Nevada  
November 8, 2022

**Management's Discussion and Analysis**

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, 2022 is presented in conjunction with the audited financial statements.

**Financial Highlights**

- As of June 30, 2022, net position was \$1,532,505, which was an increase of \$123,835 when compared to the 2021 balance of \$1,408,670.
- Total program revenues increased by \$95,171 compared to the prior year. The Board experienced an increase in application, renewal, and corporate registration fees. As in the prior year, the Board was unable to hold a professional development event. These increases were higher than the estimated budget amounts for projected revenues.
- Total expenses decreased by \$26,087 primarily due to a decrease in database and website design, program service expenses, legal expenses, rent, and government liaison expenses offset by increases in board and staff travel, office supplies, and equipment.

**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.



**Overview of Annual Financial Report (Continued)**

The notes to the 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**

**Condensed Statement of Net Position  
 For Fiscal Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Current assets	\$ 2,631,235	\$ 2,485,311
Non-current assets:		
Capital assets	<u>495,185</u>	<u>114,480</u>
Total Assets	<u>3,126,420</u>	<u>2,599,791</u>
<b>Deferred Outflows</b>	<u>27,609</u>	<u>35,949</u>
<b>Liabilities</b>		
Current liabilities	120,387	70,083
Noncurrent liabilities	<u>681,939</u>	<u>325,473</u>
Total Liabilities	<u>802,326</u>	<u>395,556</u>
<b>Deferred Inflows</b>	<u>819,198</u>	<u>831,514</u>
<b>Net Position:</b>		
Investment in capital assets	495,185	114,480
Unrestricted	<u>1,037,320</u>	<u>1,294,190</u>
Total net position	<u>\$ 1,532,505</u>	<u>\$ 1,408,670</u>

The net position increased by \$143,097 due to the current year net income and decreased by \$19,262 due to the implementation of GASB 87.

**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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>		
Program:		
Charges for services	\$ 1,040,717	\$ 945,546
General:		
Other	<u>6,194</u>	<u>11,866</u>
Total revenue	<u>1,046,911</u>	<u>957,412</u>
<b>Expenses:</b>		
Board expenditures	<u>903,814</u>	<u>929,901</u>
Change in net position	<u>\$ 143,097</u>	<u>\$ 27,511</u>

As noted in the financial highlights, decreases in total expenses are attributable to database and website design, program service expenses, legal expenses, rent and government liaison expenses offset by increases in board and staff travel office supplies and equipment.

**General Fund Budgetary Comparison**

The original budget was passed with expenditures expected to exceed revenues by \$308. Actual results show revenues exceeded the final budget by \$122,611 mainly due to the application fees exceeding budget by \$28,975 and renewal fees exceeding budget by \$70,811. Expenditures were less than the final budget by \$46,627 mainly due to program services being less than the budgeted amount by \$21,501, legal being less than the budgeted amount by \$24,748, and professional services being less than the budgeted amount by \$14,279. Total revenues exceeded expenditures by \$169,238.

**Noncurrent assets**

The Board has a total of \$101,039 in net capital assets as of the year ended June 30, 2022. These assets include intangible web design costs, office equipment and furnishings. See Note 4 for additional information on the Board’s capital assets. Due to the implementation of GASB 87 - Leases, the Board has \$394,146 in net right of use lease assets.

**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.

### ***Economic and Other Factors (Continued)***

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. Although the Board was impacted by a loss of revenues in 2021, this has rebounded in 2022 and program revenues are at pre-pandemic levels.

In fiscal year 2021/2022 Nevada had 79 professional engineers and 12 professional land surveyors retire or withdraw their license and added 1,247 new licensees (1,227 engineers and 20 land surveyors) bringing the total number of current licensed professionals to 14,717 (14,088 engineers and 708 land surveyors). About 10% of the new licensees are licensed for the first time and the remaining 90% are licensed by comity/endorsement. An indeterminate number of licensees chose to not renew their license. A licensee can renew their license within six months of license expiration with a late fee. After six months of non-renewal, a licensee is considered delinquent.

### ***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 Recession, 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, 2022**

	General Fund	Adjustments (Note 8)	Statement Net Position
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,034,749	\$ -	\$ 1,034,749
Investments	1,576,442	-	1,576,442
Prepaid expenses	20,044	-	20,044
Total current assets	2,631,235	-	2,631,235
<b>Noncurrent assets</b>			
Capital assets:			
Depreciated, net of accumulated depreciation	-	101,039	101,039
Right of use lease asset, net of accumulated amortization	-	394,146	394,146
	-	495,185	495,185
Total assets	\$ 2,631,235	495,185	3,126,420
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	-	27,609	27,609
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 15,486	-	15,486
Accrued payroll	7,081	-	7,081
Current portion of lease liability	-	68,684	68,684
Accrued compensated absences	-	29,136	29,136
Total current liabilities	22,567	97,820	120,387
<b>Noncurrent liabilities</b>			
Lease liability	-	347,915	347,915
Net OPEB liabilities	-	334,024	334,024
Total current liabilities	-	681,939	681,939
Total liabilities	22,567	779,759	802,326
<b>Deferred Inflows of Resources</b>			
License fees received in advance	805,574	-	805,574
Deferred inflows related to OPEB	-	13,624	13,624
Total deferred inflows of resources	805,574	13,624	819,198
<b>Fund Balance/Net Position</b>			
Fund balance:			
Nonspendable	20,044	(20,044)	-
Assigned	380,000	(380,000)	-
Unassigned	1,403,050	(1,403,050)	-
Total fund balance	1,803,094	(1,803,094)	-
Total liabilities, deferred inflows, and fund balance	\$ 2,631,235		
<b>Net Position</b>			
Investment in capital and right of use lease assets		495,185	495,185
Unrestricted		1,037,320	1,037,320
Total net position		\$ 1,532,505	\$ 1,532,505

**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, 2022**

	General Fund	Adjustments (Note 8)	Statement of Activities
<b>Expenditures/Expenses</b>			
Board expenditures	\$ 877,365	\$ 26,449	\$ 903,814
<b>Program Revenues</b>			
Charges for services	1,040,717	-	1,040,717
Net program revenues	163,352	(26,449)	136,903
<b>General Revenues</b>			
Investment income	6,194	-	6,194
Excess of revenues over expenditures	169,546	(169,546)	-
<b>Change in net position</b>	-	143,097	143,097
<b>Fund Balance/Net Position</b>			
Beginning of year	1,633,548	(224,878)	1,408,670
Change in accounting principle, GASB 87	-	(19,262)	(19,262)
End of year	\$ 1,803,094	\$ (270,589)	\$ 1,532,505

# Nevada State Board of Professional Engineers and Land Surveyors

## Notes to Financial Statements

June 30, 2022

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### **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, 2022

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### **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 \$27,609 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 governmental fund 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 \$805,574 are deferred and recognized as an inflow of resources in the year the license fees relate. Additionally the Board has \$13,624 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 up to 240 hours. 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 \$20,044 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, 2022

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### **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 \$1,403,050 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.

#### **New Accounting pronouncements**

During the year ended June 30, 2022, the Board implemented the provisions of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of the Board's financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset. Accordingly, the Board implemented the standard for the earliest period presented resulting in an adjustment to beginning net position at July 1, 2021 of \$19,262.

Nevada State Board of Professional Engineers and Land Surveyors  
 Notes to Financial Statements  
 June 30, 2022

**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, 2022, the government's bank balance was \$2,601,184 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.

**Note 4: Capital Assets**

The governmental activities capital asset activity for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets being depreciated:				
Web site costs	\$ 20,000	\$ -	\$ -	\$ 20,000
Furniture, fixtures and equipment	<u>297,733</u>	<u>19,735</u>	<u>(30,847)</u>	<u>286,621</u>
Total capital assets being depreciated	<u>317,733</u>	<u>19,735</u>	<u>(30,847)</u>	<u>306,621</u>
Less accumulated depreciation for:				
Web site costs	16,665	3,332	-	19,997
Furniture, fixtures and equipment	<u>186,588</u>	<u>29,844</u>	<u>(30,847)</u>	<u>185,585</u>
Total accumulated depreciation	<u>203,253</u>	<u>33,176</u>	<u>(30,847)</u>	<u>205,582</u>
Total capital assets	<u>\$ 114,480</u>	<u>\$ (13,441)</u>	<u>\$ -</u>	<u>\$ 101,039</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 5% of gross wages, or \$19,908, for eligible employees, for the year ended June 30, 2022.

**Note 6: Leases**

# Nevada State Board of Professional Engineers and Land Surveyors

## Notes to Financial Statements

June 30, 2022

The Board currently leases office space in Reno, Nevada. The lease term commenced on October 10, 2018 and 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. In addition the Board pays for their proportionate share of operating expenses. At the time of initial measurement there was no interest rate specified in the original lease agreement. Accordingly, the Board has used an incremental borrowing rate equal to the three year treasury rate as reported by the Wall Street Journal to discount the annual lease payments to recognize the intangible right to use these assets and the lease liabilities as of June 30, 2022.

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Lease assets:				
Lease assets, office	\$ 702,932	\$ -	\$ -	\$ 702,932
Less: accumulated amortization	<u>227,082</u>	<u>81,704</u>	<u>-</u>	<u>308,786</u>
	<u>\$ 475,850</u>	<u>\$ (81,704)</u>	<u>\$ -</u>	<u>\$ 394,146</u>

Lease obligations are as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amount due</u> <u>in one year</u>
Lease liabilities:					
Office	<u>\$ 495,112</u>	<u>\$ -</u>	<u>\$ 78,513</u>	<u>\$ 416,599</u>	<u>\$ 68,684</u>

**Note 6: 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 separated in the amounts to be recorded as principal and interest related to the lease liabilities:

Year Ending June 30	Principal	Interest
2023	\$ 68,684	\$ 1,846
2024	58,507	1,541
2025	60,566	1,282
2026	62,688	1,014
2027	64,880	736
2028-2029	101,274	600
	<u>\$ 416,599</u>	<u>\$ 7,019</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 \$306,621, net of accumulated depreciation of (\$205,582), the recording of accrued compensated absences of \$29,136, the recording of the GASB 87 right of use asset of \$702,932 less accumulated amortization of \$(308,786), the current portion of lease liability of \$68,684, and the corresponding lease liability of \$347,915, the recording of net OPEB liabilities of \$334,024, the recording of deferred outflows related to OPEB of \$27,609 and, the recording of deferred inflows related to OPEB of \$13,624. The adjustments to the statement of revenues, expenditures, and changes in fund balance include the effects of depreciation and amortization expense of \$114,881 offset by (\$19,735) in capital asset additions, the increase in compensated absences of \$2,416, the decrease in rent expense due to GASB 87 of (\$80,706), the increase in interest expense due to GASB 87 of \$2,193, and net OPEB expense of \$7,400.

**Note 9: Subsequent Events**

The Board has evaluated subsequent events through November 8, 2022, the date which the financial statements were available to be issued.

# Nevada State Board of Professional Engineers and Land Surveyors

## Notes to Financial Statements

June 30, 2022

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### **Note 10: Other Postemployment Benefit Obligation**

The Board has implemented 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. 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.

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, 2022, the Board paid the State \$10,815 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 PEBP's level and the Board merely pays its annual required contribution based on the fees charged by the State.



**Note 10: Other Postemployment Benefit Obligation (Continued)**

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

At June 30, 2022, the Board reported a liability of \$334,024 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021. 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, 2021, the Board's proportion was 0.0215%.

For the year ended June 30, 2022, the Board recognized OPEB expense of \$7,400. At June 30, 2022, 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
Differences between expected and actual experience	\$ -	\$ 12,177
Changes of assumptions	18,641	1,447
System contributions subsequent to the measurement date	8,968	-
	\$ 27,609	\$ 13,624

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,	
2023	\$ 1,088
2024	2,325
2025	1,622
2026	(18)
	\$ 5,017

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	2.50%
Salary increases	.50% productivity pay increase, 2.73% average promotional and merit salary increase
Investment rate of return	2.21%
Healthcare cost trend rates	6.25% initial, 4.50% ultimate



**Note 10: Other Postemployment Benefit Obligation (Continued)**

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, 2021 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 11: 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.

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: Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The pandemic and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. It is unknown how long these conditions will last and what the complete financial effect will be to Board operations.

## **Required Supplementary Information**

**Nevada State Board of Professional Engineers and Land Surveyors**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2022**  
**(With comparative totals for the year ended June 30, 2021)**

	2022			Over (Under) Budget	2021
	Original Budget	Final Budget	Actual		Actual (Memo Only)
<b>Revenues</b>					
Fees and fines:					
Application fees	\$ 142,400	\$ 142,400	\$ 171,375	\$ 28,975	\$ 153,625
Renewal fees	689,000	689,000	759,811	70,811	696,217
Examination fees	2,000	2,000	3,550	1,550	2,700
Corporate registrations	70,000	70,000	91,375	21,375	78,075
Penalties and fines	-	-	6,700	6,700	9,400
Wet stamps	-	-	-	-	380
Document fees	600	600	50	(550)	1,450
Professional development event	-	-	-	-	-
Other operating revenue	300	300	7,856	7,556	3,699
Interest income	20,000	20,000	6,194	(13,806)	11,866
<b>Total revenue</b>	<b>924,300</b>	<b>924,300</b>	<b>1,046,911</b>	<b>122,611</b>	<b>957,412</b>
<b>Expenditures</b>					
Current:					
Personnel services					
Board member per diem	10,000	10,000	5,175	(4,825)	2,650
Salaries	420,000	420,000	419,953	(47)	418,318
Retirement	16,500	16,500	19,908	3,408	19,946
Payroll taxes	33,900	33,900	33,982	82	34,307
Employee group insurance	78,000	78,000	41,956	(36,044)	58,749
<b>Total personnel services</b>	<b>558,400</b>	<b>558,400</b>	<b>520,974</b>	<b>(37,426)</b>	<b>533,970</b>
Operating					
Audit and accounting fees	13,052	13,052	26,936	13,884	13,051
Contract services	-	-	6,924	6,924	1,189
Database/website design	30,500	30,500	8,794	(21,706)	45,349
Program services	36,500	36,500	14,999	(21,501)	16,231
Equipment lease	5,000	5,000	2,974	(2,026)	3,597
Equipment/furniture	-	-	20,946	20,946	3,540
Insurance	6,100	6,100	4,275	(1,825)	4,174
Legal	70,000	70,000	45,252	(24,748)	56,223
Government liaison	-	-	19,200	19,200	27,328
Merchant service fees	27,500	27,500	31,206	3,706	35,812
Miscellaneous	-	-	2,165	2,165	598
Office rent	88,700	88,700	77,041	(11,659)	86,147
Office supplies	6,000	6,000	13,109	7,109	7,443
Postage	8,000	8,000	12,607	4,607	13,228
Printing and copying	6,500	6,500	5,284	(1,216)	7,296
Professional services	30,740	30,740	16,461	(14,279)	13,259
Training and conferences	3,000	3,000	4,897	1,897	1,047
Travel	19,000	19,000	25,179	6,179	6,880
State administrative fees	9,000	9,000	2,430	(6,570)	8,289
Telephone	6,000	6,000	9,012	3,012	6,912
Disciplinary fees paid to General Fund	-	-	6,700	6,700	9,400
<b>Total operating</b>	<b>365,592</b>	<b>365,592</b>	<b>356,391</b>	<b>(9,201)</b>	<b>366,993</b>
<b>Total expenditures</b>	<b>923,992</b>	<b>923,992</b>	<b>877,365</b>	<b>(46,627)</b>	<b>900,963</b>
<b>Excess of revenue over expenditures</b>	<b>\$ 308</b>	<b>\$ 308</b>	<b>\$ 169,546</b>	<b>\$ 169,238</b>	<b>\$ 56,449</b>

Nevada State Board of Professional Engineers and Land Surveyors  
**Schedule of Changes in Other Postemployment Benefits Liability and Related Ratios**  
**Year Ended June 30, 2022**

**Schedule of Changes in Net OPEB Liability**  
**Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net OPEB liability	0.0215%	0.0216%	0.0230%	0.0190%
Proportionate share of the net OPEB liability	\$334,024	\$325,474	\$341,931	\$251,807
Covered payroll	\$449,411	\$442,082	\$470,736	\$378,377
Proportionate share of the net OPEB liability as a percentage of its covered payroll	74.32%	73.62%	72.64%	66.55%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.65%	-0.38%	0.02%	0.12%

**Schedule of Contributions**  
**Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 8,525	\$ 9,498	\$ 9,506	\$ 9,023
Contributions in relation to contractually required contributions	<u>(8,525)</u>	<u>(9,498)</u>	<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 AUDITOR’S 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 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 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, 2022, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated November 8, 2022.

**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”) as a basis for designing 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. Accordingly, we do not express 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* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Carson City, Nevada  
November 8, 2022