

**NEVADA STATE  
CONTRACTORS BOARD**

**FINANCIAL STATEMENT  
AND INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2022**

**J.A. SOLARI & PARTNERS<sup>CPA</sup>**

Partners in Your Success

**NEVADA STATE CONTRACTORS BOARD**  
**TABLE OF CONTENTS**  
**JUNE 30, 2022**

---

	<u>Page</u>
<b>Independent Auditors' Report</b>	2
<b>Management's Discussion and Analysis</b>	4
<b>Basic Financial Statements:</b>	
Governmental Fund Balance Sheet and Statement of Net Position	14
Governmental Fund Revenue, Expenditures, and Changes in Fund Balance and Statement of Activities	15
Notes to Financial Statements	16
<b>Required Supplementary Information:</b>	
Statement of Revenue and Expenditures – Budget and Actual	25
<b>Supplementary Schedules:</b>	
Schedule I – Operating Revenue	27
Schedule II – Operating Expenditures	28

## INDEPENDENT AUDITORS' REPORT

To the Board Members  
Nevada State Contractors Board  
Reno, Nevada

### Opinion

We have audited the accompanying financial statements of the Nevada State Contractors Board (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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada State Contractors Board as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Nevada State Contractors 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 opinion.

### 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 opinion. 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 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, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The supplementary schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*J.A. Solari & Partners, LLC*

Reno, Nevada  
August 30, 2022

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

As management of the State Contractors Board (the Board), we offer readers of the Board's financial statements, this narrative overview and analysis of the financial activities of the Board for the fiscal years ended June 30, 2022 and 2021 in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. We encourage the readers to consider this information in conjunction with the Board's financial statements and notes, which are attached to this report.

**FINANCIAL HIGHLIGHTS**

- The Board's assets exceeded liabilities at the close of the fiscal year by \$8,032,949 (reported as net position). Of this amount, \$2,053,227 was invested in capital assets and \$5,588,090 was included in Right of Use Assets.
- Total revenue realized during year ended June 30, 2022 increased by \$12,840 when compared to the prior year total of \$7,329,163. The overall increase in revenue was largely due to an increase in License Renewals and License Changes. Because the Board's renewal fees and New License Issued Fees are biennial, an additional \$2,727,013 in fees were collected from advanced license payments and will be recognized in the next fiscal year.
- The Board's total net position increased by \$667,375 during the year ended June 30, 2022; during the year ended June 30, 2021, the net position had increased by \$789,726. The June 30, 2022 increase was predominately due to an increase in Renewal and License Change fees, and a decrease in Health Insurance costs Rent and Auto Insurance Expense.
- Purchases of capital assets were \$1,829,118 in 2022 compared to \$72,200 in 2021. The increased purchase for 2022 was due to the relocation of the Southern Office. The Board's cash was used for the purchases; no debt was incurred. \$701,109 in obsolete depreciated assets were written off during the 21-22 Fiscal Year.
- The Board's current liabilities increased by \$54,781 from the June 30, 2021 amount of \$3,773,579. This decrease was due to a decrease in Deferred Revenue, Compensated Absences Payable and funds due to the Construction Education fund.
- Total net position is comprised of the following as of June 30, 2022
  1. Cash, certificates of deposit, capital assets (net of accumulated depreciation), Right of Use Assets (net Accumulated Amortization) and prepaid expenses. Cash bonds accounts in the amount of \$4,643,874 are offset by a corresponding liability of the same amount.

## NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

2. Unrestricted net position represents the portion available to maintain the Board's current and future obligations and operations. At the end of the current fiscal year, the unrestricted net position for the governmental fund was \$391,632 or 5.9% of total governmental fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of these components:

1. The Governmental Fund financial statements;
2. Notes to the financial statements; and
3. Supplementary information.

The financial statements differentiate activities of the Board that are principally supported from regulatory type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The activities of the Board include public protection through regulation and licensing of contractors conducting business in the State of Nevada.

### THE BOARD'S FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the Board's finances, using both the modified accrual basis of accounting and the full accrual basis.

The *Governmental Fund Balance Sheet and Statement of Net Position* presents information on the assets and liabilities of the Board as a whole. The difference between assets and liabilities is reported as net position. Changes in net position may serve over time as a useful indicator of whether the Board's financial position is improving or deteriorating.

The *Governmental Fund Revenue, Expenditures, Changes in Fund Balance and Statement of Activities* present information showing how the Board's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of when the cash is received or paid. The Governmental Fund Revenue, Expenditures, Changes in Fund Balance and Statement of Activities illustrate how the Board's primary activities are reliant on revenues provided by the licensing process.

Per GASB 87, starting in Fiscal Year 21-22, the board will be required to recognize all long-term leases as Right of Use Assets with an offset to Accumulated Amortization. The Board will also be required to recognize an implied interest expense. In order to accurately present a comparative statement, the Board will be required to adjust any prior period represented based on the new rule. The leases included in the new ruling are the Reno and Las Vegas office leases and the Xerox leases.

The accompanying *Notes to the Financial Statements* provide additional information that is useful for a more complete understanding of the Board's financial statements.

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
CONDENSED STATEMENTS OF NET POSITION**

	<b>2022 Actual Government-wide</b>	<b>2021 Actual Government-wide</b>
<b>ASSETS</b>		
Cash and investments	\$ 9,674,578	\$ 10,079,179
Prepaid expenses	146,336	201,874
Due from other agencies	19,232	16,722
Capital assets, net	2,053,227	735,673
Right of use assets, net	5,588,090	6,402,798
Restricted cash	4,643,874	4,501,430
<b>Total assets</b>	<b>22,125,337</b>	<b>21,937,676</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	-	-
<b>Total assets and deferred outflows of resources</b>	<b>22,125,337</b>	<b>21,937,676</b>
<b>LIABILITIES</b>		
Current liabilities	3,828,360	3,773,579
Non-current liabilities	10,264,028	10,798,523
<b>Total Liabilities</b>	<b>14,092,388</b>	<b>14,572,102</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
<b>Total liabilities and deferred inflows of resources</b>	<b>14,092,388</b>	<b>14,572,102</b>
<b>NET POSITION</b>		
Net investment in capital assets, net	7,641,317	7,138,471
Unrestricted	391,632	227,103
<b>Total net position</b>	<b>\$ 8,032,949</b>	<b>\$ 7,365,574</b>



**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
CONDENSED STATEMENTS OF ACTIVITIES**

---

	<b>2022 Actual Government-wide</b>	<b>2021 Actual Government-wide</b>
<b>Program Revenues</b>	\$ 7,321,831	\$ 7,306,262
<b>Operating Expenditures/Expenses</b>		
Contractors board operations	6,674,628	6,539,437
Income from operations	647,203	766,825
<b>General Revenues</b>		
Gain on sales of capital assets	6,340	9,560.00
Interest income	13,832	13,341
Income from non-operating revenues	20,172	22,901
<b>Change in Net Position</b>	667,375	789,726
<b>Net Position at Beginning of Year</b>	7,365,574	6,575,848
<b>Net Position at End of Year</b>	\$ 8,032,949	\$ 7,365,574

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Fiduciary Funds:**

The Board acts as a trustee or fiduciary for the Residential Recovery Fund (Recovery Fund). Recovery Fund Assessments collected from applicants and licensees are used to pay third party claims against licensed contractors. The Board administers the Recovery Fund, which reimburse an injured consumer up to \$40,000 in financial losses resulting from

a licensed residential contractor’s actions with an aggregate amount of \$750,000 or 20 percent of the current balance of the current Recovery Fund balance per licensee.

Administrative expenses for the recovery fund consist of board expenses allocated to investigate and process claims and conduct hearings.

Additionally, the Board acts as an agent for the Construction Education Fund. All revenues are the result of money collected from the imposition of fines and contributions from applicants and licensees. This revenue is deposited with the State Treasurer for credit to the Construction Education Account.

The Board includes the following required *Supplementary Information* in its financial statements:

**Budget Comparison**

The Board presents as required Supplementary Information a budget comparison schedule using a format similar to the *Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

**FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may serve as the most useful indicator of the Board’s financial position as a whole.

CONDENSED STATEMENT OF NET POSITION (BALANCE SHEET)							
JUNE 30, 2022, 2021 and 2020							
				2022 vs 2021		2021 vs 2020	
	2022	2021	2020	\$	%	\$	%
Current and other assets	\$ 14,484,020	\$ 14,799,205	\$ 13,823,723	\$ (315,185)	-2.1%	\$ 975,482	7.1%
Capital assets	2,053,227	735,673	929,963	1,317,554	179.1%	(194,290)	-20.9%
Right of Use Assets	5,588,090	6,402,798	2,590,327	(814,708)	-12.7%	3,812,471	147.2%
Total Assets	22,125,337	21,937,676	17,344,013	187,661	0.9%	4,593,663	26.5%
Total liabilities	14,092,388	14,572,102	10,768,165	(479,714)	-3.3%	3,803,937	35.3%
Invested in capital assets	7,641,317	7,138,471	3,520,290	502,846	7.0%	3,618,181	102.8%
Unrestricted net Position	391,632	227,103	3,055,558	164,529	72.4%	(2,828,455)	-92.6%
Total Net Position	\$ 8,032,949	\$ 7,365,574	\$ 6,575,848	\$ 667,375	9.1%	\$ 789,726	12.0%

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Board's overall financial position has increased by \$667,375 during fiscal year 2021-2022. The financial net position increased by \$789,726 in fiscal year 2020-2021.

The specific nature or source of changes in net position becomes more evident in the Board's Statements of Revenues, Expenses, and Changes in Net Position as shown in the following table:

CONDENSED STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE							
YEARS ENDED JUNE 30, 2022, 2021 AND 2020							
				2022 vs 2021		2021 vs 2020	
	2022	2021	2020	\$	%	\$	%
<b>REVENUES:</b>							
Operating revenues	\$ 7,321,831	\$ 7,306,262	\$ 6,922,346	\$ 15,569	0.2%	\$ 383,916	5.5%
Other income	20,172	22,901	14,573	(2,728)	-11.9%	8,327	57.1%
Total Income	7,342,003	7,329,162	6,936,919	12,841	0.2%	392,243	5.7%
<b>EXPENSES:</b>							
Personnel	3,780,168	3,973,232	4,880,862	(193,064)	-4.9%	(907,630)	-18.6%
Rent	-	-	-	-	0.0%	-	0.0%
Operations	2,894,460	2,566,205	2,602,469	328,255	12.8%	(36,264)	-1.4%
Total Expenses	6,674,628	6,539,437	7,483,331	135,191	2.1%	(943,894)	-12.6%
Change in Net Position	667,375	789,726	(546,412)	(122,351)	-15.5%	1,336,138	-244.5%
Net Position, Beginning	7,365,574	6,575,848	7,122,260	789,726	12.0%	(546,412)	-7.7%
Net Position, Ending	\$ 8,032,949	\$ 7,365,574	\$ 6,575,848	\$ 667,375	9.1%	\$ 789,726	12.0%

**REVENUES**

Operating revenues increased by \$15,569 in fiscal year 2021-2022 compared to a \$383,916 increase in the prior fiscal year. Prior to fiscal year 2020-2021 an increase of \$129,317 was realized. An additional \$2,727,013 in fees was collected in advance to be recognized in the next fiscal year due to the collection of biennial fees.

License Renewals

From fiscal year end 2018 to 2022 renewal revenue has increased by \$509,595. Renewal revenues have exceeded \$4,100,000 per year. Fiscal year 2021-2022 renewal revenue has increased by \$65,675 from the prior year. Due to the current economic trends in the construction industry, the 2022-2023 renewal revenue has the possibility to realize a decrease.

Applications and New Licenses

Application fees have increased \$181,650 or 34.8% over the past five-year period. Revenue for the fiscal year 2021-2022 was \$703,200, an increase of \$11,400 from the prior year. Due to the current economy, a possible decrease in new licenses is anticipated for FY 2022-2023.

During a five-year period spanning fiscal years 2018 through 2022, New License revenue has increased 19.4%, or \$134,850. New license revenue for the year ended June 30, 2022, was \$829,500 which was a 2.8% increase over the prior year. Due to the current economy,

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

the Board is projecting a possible decrease in income for FY 2022-2023.

**REVENUES (Continued)**

License Changes

License Change revenue has increased by \$76,475 from 2018 through 2022. Revenue totaled \$503,400 for the year ended June 30, 2022, an increase of \$49,050, or 10.8% compared to the prior year. With current economic conditions, the Board anticipates a possible decrease in FY 2022-2023.

Non-operating revenue

The safeguarding and maintenance of the Board’s most liquid assets is a priority. Investment income is earned through prudent investment of the Board’s idle cash. All investments are made in accordance with Nevada’s statutory requirements. Fiscal years ended June 30, 2022, 2021 & 2020, earned \$13,832, \$13,341 and \$14,573, respectively.

The following charts depict the revenue components of the Board and show a five-year comparison of the Board’s significant revenue components:

<b>Five Year Revenue Comparison</b>						
	<u>License Renewals</u>	<u>New Licenses</u>	<u>Application Fees</u>	<u>License Changes</u>	<u>Recovered Costs</u>	<u>Total</u>
2018	4,191,103	694,650	521,550	426,925	540,388	\$ 6,374,616
2019	4,256,640	760,565	598,200	484,700	507,881	\$ 6,607,986
2020	4,401,635	785,290	583,330	440,975	539,658	\$ 6,750,888
2021	4,635,023	806,700	691,800	454,350	547,753	\$ 7,135,626
2022	4,700,698	829,500	703,200	503,400	412,875	\$ 7,149,673
	<u>\$ 22,185,099</u>	<u>\$ 3,876,705</u>	<u>\$ 3,098,080</u>	<u>\$ 2,310,350</u>	<u>\$ 2,548,555</u>	<u>\$ 34,018,789</u>
5 Year Increase (Decrease)	<u>\$ 509,595</u>	<u>\$ 134,850</u>	<u>\$ 181,650</u>	<u>\$ 76,475</u>	<u>\$ (127,513)</u>	<u>\$ 775,057</u>
	<u>12.2%</u>	<u>19.4%</u>	<u>34.8%</u>	<u>17.9%</u>	<u>-23.6%</u>	<u>12.2%</u>

Recovery Fund Assessment Fees

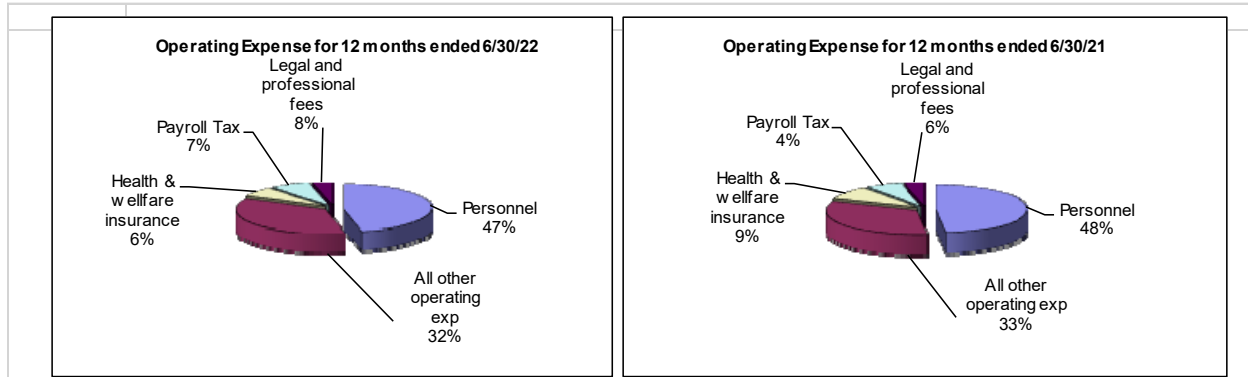
Recovery Fund Revenue and Recapture for the year ended June 30, 2022 of \$675,070 is an increase of \$47,665 or approximately 7.6% over the 2021 revenue of \$627,405.

# NEVADA STATE CONTRACTORS BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS

## EXPENDITURES

1. Operating expenses increased by \$328,255 in 2021-2022, with the largest increases in Interest Expense, Legal Fees, Office Expense and Depreciation Expense of \$31,981, \$79,382, \$37,098, and \$245,075 respectively.

The following charts depict the expense components of the Board:



## BUDGETARY HIGHLIGHTS

The Board's expenditure budget for the fiscal year ending June 30, 2022 was approximately \$6.8 million, representing an approximate increase of \$13,500 over the June 30, 2021 budget. The 2021 budget reflected a \$614,792 decrease compared to the 2020 budget. In the Fiscal Year 21-22 budget, the Board also budgeted \$2,520,251 for capital expenditures of which only \$2,452,057 was spent. Portions of the unspent capital expenditures budget will be carried over into the following fiscal year.

The Board's budget included appropriations of prior years accumulated fund balance in support of the Board's plan for unknown contingencies, facility repair and maintenance, and equipment replacement.

The Board continues to address its evolving technology needs and provided funding to complete the Board's integrated system database and replacement of computer/peripheral equipment to maintain the Board's technology infrastructure. The Governmental Fund complied with financial policies approved by the Board and maintained core services.

## CAPITAL ASSETS

The Board capitalizes asset acquisitions that exceed \$1,000 and have a useful life that is more than one year.

The Board's investment in capital assets, net of accumulated depreciation as of June 30, 2022 and 2021 was \$2,053,227 and \$735,673, respectively.

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS (Continued)**

Capital asset additions during 2022 included funds expended for the office design and completion of the Southern Nevada office in the amount of \$1,136,936. Approximately \$148,184 in obsolete Furniture and Fixtures, \$100,816 in obsolete Office Improvements, \$432,887 in obsolete Computer Equipment and \$31,713 in vehicles were written off during the 21-22 Fiscal Year.

Prior year additions included funds spent on Southern Nevada Office Design in the amount of \$72,200.

The following table depicts a comparison of the capital assets of the Board:

**ECONOMIC ENVIRONMENT AND NEXT YEAR’S BUDGET**

Nevada has remained consistent in many aspects of the construction industry even through the FY 21-22 economic environment. It is hard to predict the impact this may have on the FY 22-23 revenue stream. In the FY 22-23, the Board has budgeted funds in order to maintain the integrity of the Board’s infrastructure and service to the Public. When compared to the fiscal year 2021-2022, the Board’s budgeted expenditures for fiscal year 2022-2023 general operating costs have been adjusted to include upgrades in the IT operations, upgrades in the Reno security system and the purchase of several vehicles to replace older high mileage vehicles.

CAPITAL ASSETS								
JUNE 30, 2022, 2021 AND 2020								
				2022 vs 2021		2021 vs 2020		
	2022	2021	2020	\$	%	\$	%	
Improvements	\$ 1,597,569	\$ 460,633	\$ 599,460	\$ 1,136,936	246.8%	\$ (138,827)	-23.2%	
Furniture and equipment	587,847	495,954	495,954	91,893	18.5%	-	0.0%	
Computer equipment	1,291,853	1,440,354	2,158,911	(148,501)	-10.3%	(718,557)	-33.3%	
Vehicles	495,803	460,612	553,415	35,191	7.6%	(92,803)	-16.8%	
	3,973,072	2,857,553	3,807,740	1,115,519	39.0%	(950,187)	-25.0%	
Less accumulated depreciation	(1,919,845)	(2,121,880)	(2,877,777)	202,035	-9.5%	755,897	-26.3%	
	\$ 2,053,227	\$ 735,673	\$ 929,963	\$ 1,317,554	179.1%	\$ (194,290)	-20.9%	

**NEVADA STATE CONTRACTORS BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Budgeted Capital Outlay*

Other budgeted capital outlays for fiscal year 2022-2023 will include:

Upgrade in Scanning and Document Storage – Budgeted at \$162,000.

Upgrade Servers - Budgeted at \$25,000.

IT Upgrades for both the Northern and Southern Offices– Budgeted at \$540,400.

Vehicle Purchases – Budgeted at \$100,000.

**NEVADA STATE CONTRACTORS BOARD  
GOVERNMENTAL FUND BALANCE SHEET AND  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 9,674,578	\$ -	\$ 9,674,578
Prepaid expenses	-	146,336	146,336
Due from other agencies	-	19,232	19,232
Restricted assets			
Restricted cash	4,643,874	-	4,643,874
Noncurrent assets			
Capital assets, net	-	2,053,227	2,053,227
Right of use assets, net	-	5,588,090	5,588,090
<b>Total assets</b>	<b>14,318,452</b>	<b>7,806,885</b>	<b>22,125,337</b>
<b>Deferred Outflows of Resources</b>			
	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 14,318,452</b>	<b>\$ 7,806,885</b>	<b>\$ 22,125,337</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 44,038	\$ -	\$ 44,038
Due to other agencies	-	143,279	143,279
Accrued payroll and payroll taxes	62,848	-	62,848
Accrued Interest Payable	2,716	-	2,716
Leases Payable	676,941	-	676,941
Other accrued liabilities	2,580	-	2,580
Compensated absences payable	-	168,945	168,945
Licensing fees received in advance	2,727,013	-	2,727,013
<b>Total current liabilities</b>	<b>3,516,136</b>	<b>312,224</b>	<b>3,828,360</b>
Non-current liabilities			
Leases payable	-	5,620,154	5,620,154
Refundable security bonds	4,643,874	-	4,643,874
<b>Deferred Inflows of Resources</b>			
	-	-	-
<b>Total liabilities and deferred inflows of resources</b>	<b>8,160,010</b>	<b>5,932,378</b>	<b>14,092,388</b>
<b>Fund Balance/Net Position</b>			
Fund balance - unassigned	6,158,442	(6,158,442)	-
<b>Total liabilities and fund balance</b>	<b>\$ 14,318,452</b>		
<b>Net Position</b>			
Net investment in capital assets, net		7,641,317	7,641,317
Unrestricted		391,632	391,632
<b>Total net position</b>		<b>\$ 8,032,949</b>	<b>\$ 8,032,949</b>

*See accompanying notes*



**NEVADA STATE CONTRACTORS BOARD  
GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Activities</u>
<b>Program Revenues</b>	\$ 7,321,831	\$ -	\$ 7,321,831
<b>Operating Expenditures/Expenses</b>			
Contractors board operations	4,432,579	2,242,049	6,674,628
Capital outlay	1,829,118	(1,829,118)	-
Income from operations	1,060,134	(412,931)	647,203
<b>General Revenues</b>			
Gain on sales of capital assets	6,340	-	6,340
Interest income	13,832	-	13,832
Income from non-operating revenues	20,172	-	20,172
<b>Change in Fund Balance/Net Position</b>	1,080,306	(412,931)	667,375
<b>Fund Balance/Net Position at Beginning of Year</b>	5,078,136	2,287,438	7,365,574
<b>Fund Balance/Net Position at End of Year</b>	\$ 6,158,442	\$ 1,874,507	\$ 8,032,949

*See accompanying notes*

**NEVADA STATE CONTRACTORS BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Nevada State Contractors Board (the Board) was established by Nevada Revised Statutes (NRS) Chapter 624, and is granted independent authority. There are seven members on the board and they are appointed by the Governor of the State of Nevada. The Board has two principal locations in Reno and Henderson, Nevada.

The purpose of the Board is to safeguard the health, safety, and general welfare of persons dealing with those engaged in the construction industry by affording protection to the public from unreliable, fraudulent, financially irresponsible, or incompetent contractors. The Board licenses contractors and enforces disciplinary penalties for violations of the State Contractors' Act, thereby giving the public some assurance that licensed contractors will be responsible and competent.

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

A summary of the Board's significant accounting policies applied in the preparation of the accompanying financial statements follows.

**a. Basis of Presentation**

The Board is defined as a single program special-purpose entity under GASB Statement No. 14, paragraph 131 as amended by GASB Statement No. 39. This classification allows for the preparation of GASB 34 financial statements under an optional reporting method which combines the fund and government-wide statements into a single presentation. Under standard GASB 34 methodology, the government-wide statement of net position and statement of activities are presented independently from the respective fund balance sheet and statement of revenues, expenditures, and fund balance. A reconciliation of adjustments provided on the modified financial statements demonstrates the changes from the fund financial statements to the government-wide financial statements in order to assist the reader in evaluating these statements. The board has utilized this optional method of presentation.

**b. Fund Accounting**

Under Chapter 624.140 of the Nevada Revised Statutes, the general fund of the Board is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures to be used solely for the Board's benefit. According to statute, any money deposited to Nevada State Board of Contractors does not revert to the State of Nevada's general fund. The net assets of the general fund are restricted solely to be used by the Board to meet its obligation of licensing and regulating contractors in the state of Nevada.

**NEVADA STATE CONTRACTORS BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Board has only governmental fund types.

Income from operations includes revenues earned and expenses incurred related to the primary, continuing operations of the Board. The primary sources of revenue are licensing, registration, and application fees from contractors, penalties and recovered costs, bidder’s preference application fees, license changes, administrative citation fees, and cash bond administrative fees. Principal operating expenses represent the cost of providing goods or services and include administrative expenses and depreciation of capital assets.

**d. Revenue Recognition**

Generally, revenues are deemed earned and are recognized when the Board has an enforceable legal claim to the amounts charged, which occurs when cash payment is received from licensees. However, in 2007, the Nevada Legislature revised NRS 624.280 – 624.283 to permit biennial license renewals. A system of staggering biennial renewals was implemented beginning January, 2008, and was fully implemented as of June 30, 2009 so that all licensees now renew licenses on a biennial basis. Since the biennial license renewal fees cover more than one accounting period when collected, the Board’s policy is to recognize a portion of these revenues over the renewal period, which includes future accounting periods.

**e. Budgetary Data**

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year by the Board. The budget is prepared using the same generally accepted accounting principles as used in preparing the financial statements.

**NEVADA STATE CONTRACTORS BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f. Cash and Investments**

Cash is maintained in three commercial banks located in Nevada. Cash accounts are maintained and available to meet current operating requirements and are readily identifiable. Cash in excess of current requirements is invested in various interest-bearing investment accounts as allowed by statute.

Cash also consists of time certificates of deposit, which are stated at fair value. The net change in the fair value of the certificates are reflected together with interest income, as interest income in the accompanying financial statements.

**g. Capital Assets**

Capital assets, consisting of leasehold improvements, furniture, equipment, and vehicles are reported in the net asset column in the government-wide financial statements and are presented at cost. Depreciation is calculated using the straight-line method based upon the estimated useful lives of assets, generally 5 to 39 years. The Board's policy is to capitalize acquisitions with a cost of \$1,000 or more. Repairs and maintenance which are not considered betterments and do not extend the useful life of property and equipment are charged to expense as incurred.

Under the modified accrual basis of accounting, acquisitions are considered expenditures in the year purchased. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in General Revenues.

**h. Compensated Absences**

Employees of the Board are entitled to compensated absences depending on job classification, length of service, and other factors. For the government-wide presentation, an accrual for accumulated and vested vacation and other paid time off has been established as a liability in the accompanying financial statements. It is the Board's policy to recognize the costs for sick days and administrative leave when taken by employees.

**i. Net Position**

Unrestricted net position represents the amount available for budgeting future operations.

**NEVADA STATE CONTRACTORS BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j. Use of Estimates**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPAL**

The Board implemented GASB Statement No. 87 in the current financial statements. The statement revised accounting and financial reporting requirements related to leases. The objective of this statement is to increase the usefulness of financial statements by requiring the recognition and reporting of certain lease liabilities and related assets.

As a result of implementation, prior period adjustments of (\$2,075,357) and (\$365,807) were made to adjust the beginning fund balance and net position. The beginning fund balance and net position are restated as follows:

	<u>General Fund</u>	<u>Adjustment (Note 11)</u>	<u>Government-wide</u>
Fund balance/net position at June 30, 2021	\$ 7,153,493	\$ 577,888	\$ 7,731,381
Prior period adjustment due to GASB Statement No. 87	(2,075,357)	1,709,550	(365,807)
<hr/>			
Fund balance/net position at June 30, 2021, as restated	\$ 5,078,136	\$ 2,287,438	\$ 7,365,574

**NOTE 3 – CASH AND INVESTMENTS**

Total cash and investments as of June 30, 2022, were as follows:

Governmental fund	
Cash and investments	\$ 9,674,578
<u>Restricted cash</u>	<u>4,643,874</u>
	<u>\$ 14,318,452</u>

Investments included above as of June 30, 2022, were as follows:

<u>Certificates of deposit</u>	<u>\$ 1,130,664</u>
--------------------------------	---------------------

**NEVADA STATE CONTRACTORS BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

---

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk and Custodial Credit Risk**

The Board maintains cash and investment accounts in commercial banks located in Nevada. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Where accounts at a single institution are in excess of insured limits, balances are collateralized. As of June 30, 2022, the Board's uninsured but collateralized balances were \$14,250,437.

All pledged collateral is pledged by Bank of America and held at the Federal Reserve Bank in the Board's name.

**NOTE 4 – RESTRICTED CASH AND REFUNDABLE SECURITY BONDS**

Cash bonds may be posted in lieu of a surety bond as provided by NRS 624.270. Restricted cash consists of amounts held by the Board in interest bearing accounts that are not available for use in operations, and based on refundability criteria, also represent a liability of the Board. The original cash deposit and earned interest are refunded to individual contractors when the security bond requirement period lapses. As of June 30, 2022, the Board's restricted cash and liability for security bonds was \$4,643,874.

**NOTE 5 – PREPAID EXPENSES**

Total prepaid expenses as of June 30, 2022, were as follows:

Computer	77,321
Health and welfare insurance	46,683
Other insurance	10,332
Professional services	12,000
	<u>146,336</u>
	<u>\$ 146,336</u>

**NEVADA STATE CONTRACTORS BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2022, was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2022</u>
Depreciable				
Leasehold improvements	\$ 460,633	\$ 1,237,752	\$ (100,816)	\$ 1,597,569
Furniture and equipment	1,936,308	524,462	(581,069)	1,879,701
Vehicles	460,612	66,904	(31,713)	495,803
	<u>2,857,553</u>	<u>1,829,118</u>	<u>(713,598)</u>	<u>3,973,073</u>
Less accumulated depreciation	<u>(2,121,880)</u>	<u>(511,564)</u>	<u>713,598</u>	<u>(1,919,846)</u>
	735,673	1,317,554	-	2,053,227
Right-of-use				
Office Building	9,417,349	-	(1,964,735)	7,452,614
Equipment	84,631	-	-	84,631
	<u>9,501,980</u>	<u>-</u>	<u>(1,964,735)</u>	<u>7,537,245</u>
Less accumulated amortization	<u>(3,099,182)</u>	<u>(814,708)</u>	<u>1,964,735</u>	<u>(1,949,155)</u>
	<u>6,402,798</u>	<u>(814,708)</u>	<u>-</u>	<u>5,588,090</u>
	<u>\$ 7,138,471</u>	<u>\$ 502,846</u>	<u>\$ -</u>	<u>\$ 7,641,317</u>

**NOTE 7 – LEASES**

The Nevada State Contractors Board, as a lessee, has entered into lease agreements involving an office space in Reno, NV, an office space in Las Vegas and copiers. The total costs of the Board's lease assets are recorded as \$7,537,245, less accumulated amortization of \$1,949,155.

The combined lease commitments under these non-cancellable long-term operating leases for the periods ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 676,941	\$ 84,066	\$ 761,007
2024	730,248	73,777	804,025
2025	755,555	62,547	818,102
2026	777,920	49,997	827,917
2027	811,027	38,988	850,015
<u>2028-2032</u>	<u>2,545,404</u>	<u>69,087</u>	<u>2,614,491</u>
	<u>\$ 6,297,095</u>	<u>\$ 378,462</u>	<u>\$ 6,675,557</u>

**NEVADA STATE CONTRACTORS BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

---

**NOTE 8 – PENSION PLAN**

The Board contributes to the Nevada State Contractors Board Money Purchase Pension Plan (the Plan), a 401(a) defined contribution plan, for its employees that meet a one-year service requirement. The Plan is administered by MassMutual Financial Group.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board. For each eligible employee in the pension plan, the Board is required to contribute 9% of covered compensation. Employees are not permitted to make contributions to the pension plan. The total pension expense for the year ended June 30, 2022 was \$196,244.

Employees are vested in the Board’s contributions and earnings after 60 months of service with the Board.

The Board also sponsors a 457(b) deferred compensation plan which is available to all eligible employees, who may elect a salary deferral on a calendar year basis. The deferral for 2021 and 2022 were maximums of \$19,500 per employee (\$26,000 if over age 50) and \$20,500 per employee (\$27,000 if over age 50), respectively. There is no employer matching contribution.

**NOTE 9 – FIDUCIARY FUNDS**

The Board acts in an agency capacity on behalf of the Commission on Construction Education (the Commission) with respect to its Construction Education Fund (the Fund). The Commission and the Fund were established by NRS 624.570 – 624.580. The Board collects fines and contributions on behalf of the Commission for deposit into the Fund, which is maintained through the State of Nevada General Fund. On a quarterly basis, the Board remits these amounts to the State Treasurer, net of a 5% administrative fee.

The Board serves in a trustee capacity for the Residential Construction Recovery Fund (the Recovery Fund) as provided for by NRS 624.470. The Recovery Fund was established to pay eligible claims made by owners of single-family residences who have suffered damages due to the failure of a licensed residential contractor to adequately perform qualified services. The Recovery Fund is funded by the Board’s licensees through annual assessments. Use of these assessments is restricted to the payment of eligible claims and for other limited purposes as described in NRS 624.540.

Amounts due to other agencies as of June 30, 2022, were as follows:

Construction Education Fund	\$ 66,997
Residential Construction Recovery Fund	76,282
	<u>\$ 143,279</u>

The Board charges the Recovery Fund for personnel and other costs incurred in administering the Recovery Fund. Total charges were \$51,034 for the year ending June 30, 2022. Of this, \$19,232 were due from that agency as of June 30, 2022.



**NEVADA STATE CONTRACTORS BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

---

**NOTE 9 – FIDUCIARY FUNDS (Continued)**

The Recovery Fund is considered a private-purpose trust fund for financial reporting purposes. In accordance with NRS 624.540, the Recovery Fund's financial position and activities are reported in separately issued financial statements, which are available by contacting the Nevada State Contractors Board at 5390 Kietzke Lane, Suite 100, Reno, Nevada, 89511.

**NOTE 10 – CONTINGENCIES**

The Board, in the normal course of its activities, is involved in various claims and litigation. The Board currently has claims and lawsuits pending which could ultimately result in a liability to the Board. The ultimate settlement cannot be reasonably estimated at this time; however, management believes that results of such litigation would not materially affect the financial statements of the Board.

**NOTE 11 – CONVERSION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Adjustments on the face of the financial statements were made to the fund balance sheet and statement of revenue, expenditures, and changes in fund balance in order to reconcile the fund financial statements to the government-wide statements of net position and activities. These adjustments detail the effect of amounts due from other agencies of \$19,232, prepaid expenses of \$143,336, the capitalization of fixed assets of \$3,973,073 accumulated depreciation of \$1,919,846, depreciation expense of \$511,564, the recognition of liabilities for amounts due to other agencies of \$143,279, and compensated absences of \$168,945.

**NOTE 12 – COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE**

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

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 30, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

**NEVADA STATE CONTRACTORS BOARD**  
**STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Original and Final Budget	Actual Amounts	Variance to Final Budget
<b>Operating Revenue</b>			
Application fees	\$ 650,000	\$ 703,200	\$ 53,200
Bidders preference	115,000	129,000	14,000
License changes	430,000	503,400	73,400
License renewals	4,430,000	4,700,698	270,698
New licenses	790,000	829,500	39,500
Other income	153,150	43,158	(109,992)
Penalties and recovered costs	500,000	412,875	(87,125)
<b>Total operating revenue</b>	<b>7,068,150</b>	<b>7,321,831</b>	<b>253,681</b>
<b>Expenditures</b>			
<b>Current Expenditures</b>			
Auto	123,700	44,978	78,722
Board member compensation	18,000	14,253	3,747
Board member travel	14,000	7,057	6,943
Computer	450,000	449,942	58
Depreciation	509,080	1,326,272	(817,192)
Dues and subscriptions	4,500	5,641	(1,141)
Education and training	8,000	8,501	(501)
Employee travel	14,000	22,714	(8,714)
Equipment lease	52,000	25,424	26,576
Freight	5,000	3,608	1,392
Health and welfare insurance	525,000	416,602	108,398
Interest Expense	-	92,576	(92,576)
Legal fees	150,000	240,218	(90,218)
Office	181,500	235,297	(53,797)
Other insurance	35,000	29,199	5,801
Payroll taxes	273,100	255,920	17,180
Pension plan	270,000	196,244	73,756
Postage and printing	79,000	77,097	1,903
Professional services	268,000	257,480	10,520
Public information program	15,000	2,033	12,967
Rent	515,000	-	515,000
Salaries and wages	3,140,000	2,911,402	228,598
Telephone	92,000	52,170	39,830
Utilities	-	-	-
<b>Total Current Expenditures</b>	<b>6,741,880</b>	<b>6,674,628</b>	<b>67,252</b>
<b>Capital Outlay</b>			
Office Improvements	\$ 1,358,000	\$ 1,237,752	\$ 120,248
Computer/phone equipment, and software	882,251	284,386	597,865
Office equipment	200,000	240,076	(40,076)
Automobiles	80,000	66,904	13,096
<b>Total Capital Outlay</b>	<b>2,520,251</b>	<b>1,829,118</b>	<b>691,133</b>
<b>Non Operating Revenue</b>			
Gain on sales of capital assets	-	6,340	6,340
Interest income	13,000	13,832	832
<b>Total Non Operating Revenue</b>	<b>13,000</b>	<b>20,172</b>	<b>7,172</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>\$ (2,180,981)</b>	<b>\$ (1,161,743)</b>	<b>\$ 1,019,238</b>

*See accompanying notes*

---

**SUPPLEMENTARY SCHEDULES**

---

**NEVADA STATE CONTRACTORS BOARD  
SCHEDULE I - OPERATING REVENUE  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

---

	<u>2022</u>	<u>2021</u>
Application fees	\$ 703,200	\$ 691,800
Bidders preference fees	129,000	126,000
License changes	503,400	454,350
License renewals	4,700,698	4,635,023
New licenses	829,500	806,700
Other income	43,158	44,635
Penalties and recovered costs	412,875	547,753
	<u>\$ 7,321,831</u>	<u>\$ 7,306,261</u>

---

*See accompanying notes*

**NEVADA STATE CONTRACTORS BOARD  
SCHEDULE II - OPERATING EXPENDITURES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Automobile	\$ 44,978	\$ 104,059
Amortization	814,708	833,665
Board member compensation	14,253	2,850
Board member travel	7,057	2,218
Computer	449,942	424,020
Depreciation	511,564	266,490
Dues and subscriptions	5,641	5,235
Education and training	8,501	5,428
Employee travel	22,714	7,053
Equipment lease	25,424	34,687
Freight	3,608	4,142
Health and welfare insurance	416,602	565,415
Interest Expense	92,576	60,595
Legal fees	240,218	160,836
Office	235,297	197,213
Other insurance	29,199	29,019
Payroll taxes	255,920	250,898
Pension plan	196,244	244,238
Postage and printing	77,097	72,061
Professional services	257,480	258,327
Public information program	2,033	1,907
Rent	~	~
Salaries and wages	2,911,402	2,912,680
Telephone	52,170	96,401
	<u>\$ 6,674,628</u>	<u>\$ 6,539,437</u>

*See accompanying notes*