

State of Nevada Popular Annual Financial Report

Catherine E. Byrne, State Controller



INTRODUCTION

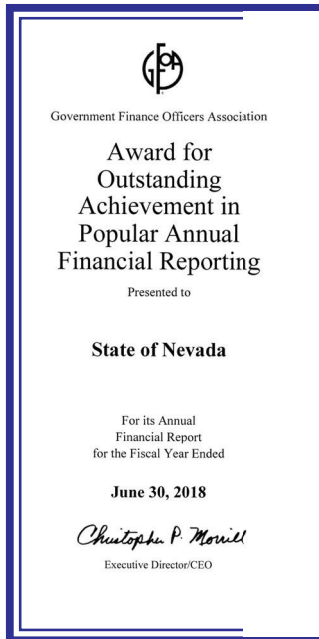
It is my pleasure to present the State of Nevada, Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2019.

The PAFR is a condensed presentation of the Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by the firm Eide Bailly, LLC, receiving an "unmodified" opinion. An unmodified opinion is given when the auditor can state that the financial statements are accurately stated. Our report provides high-level financial information and selected statistical information cited in our CAFR. In addition, the PAFR contains performance measures not included in the CAFR. The PAFR is intended to simplify, but not to replace the CAFR. To view the CAFR, go to controller.nv.gov.

On behalf of the State of Nevada, I would like to thank you for taking the time to read our PAFR. We hope this report will provide you with information about our statement of activities and financial position and the services we provide.

A handwritten signature in black ink that reads "Catherine E. Byrne".

Catherine E. Byrne, CPA
Nevada State Controller



Goals Looking Forward:

- Quality education for tomorrow's workforce
- Transportation projects for safer travel on Nevada's roads
- Provide for general government services with efficiency and transparency
- Economic Development for a thriving economy in the 21st Century

Vision –The State Controller is responsible for the accuracy of Nevada's financial transactions. The Office of the State Controller will continually improve the integrity of financial information by using effective, efficient and relevant procedures for preparing, recording and reporting transactions into the State's financial systems.

Mission – The State Controller will establish and enforce accounting policies and procedures to allow the CAFR to be prepared according to the professional standards established by the Governmental Accounting Standards Board (GASB). The Office of the State Controller will mentor finance professionals around the State by demonstrating integrity and ethical behavior in the workplace and by providing a safe work environment for state employees.

STATE REPORTING ENTITY AND SERVICES

The State of Nevada reports in the CAFR all funds of the offices, departments, agencies, and authorities governed and legally controlled by the State's executive, legislative and judicial branches.

Nevada provides a broad range of services to its citizens, including:

- K-12 Public and Higher Education
- Health and Social Services
- Parks and Recreation, Forestry, and Natural Resources
- Law, Justice and Public Safety
- Transportation
- Business Regulation
- General Government Services

To see additional information, visit: controller.nv.gov



CATHERINE E. BYRNE, STATE CONTROLLER



Catherine E. Byrne, CPA - Catherine has worked her entire career in accounting, tax and audit work for a variety of public and private companies, not-for-profit and government entities. She is an expert in governmental accounting and financial reporting.

She graduated from California Lutheran University in 1997, earning a Bachelor of Science in Accounting, and earned the title of Certified Public Accountant (CPA) in 2000. She is currently licensed in California and Nevada.

In 2012, she started working for the Nevada State Controller's Office in the financial reporting section, which prepares the State's Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (PAFR), and the financial statements for the Permanent School Fund.

Catherine is a member of the Association of Government Accountants and the Government Finance Officers Association. She is a member of American Federation of State, County and Municipal Employees (AFSCME) and is Treasurer of local 4041 Sierra Range Chapter.

Catherine was born in San Diego, California. Her father served in the United States Coast Guard and her mother is a retired nurse.

Catherine has one son who is serving in the United States Air Force. He is stationed in Washington D.C. In her spare time, you can find her enjoying the outdoors with her two dogs along the Truckee River in downtown Reno.

INSIDE THE NEVADA STATE CONTROLLER'S OFFICE

Controller's Responsibilities:

The State Controller is the Chief Fiscal Officer (CFO) of the State and is responsible for administering the State's accounting system, processing and recording the State's financial transactions and maintaining the State's official accounting records. The State Controller also serves on the Board of Finance, Department of Transportation's Board of Directors and the Executive Branch Audit Committee.

The State Controller provides the citizens, state agencies, local governments and legislators with accurate and impartial financial information and ensures all transactions are properly accounted for and spent in the most efficient and cost effective manner.

Controller's Office Functions:

Financial Reporting Section – The Financial Reporting section prepares the Comprehensive Annual Financial Report (CAFR), the Popular Annual Financial Report (PAFR), quarterly statements of the Permanent School Fund, General Fund Unrestricted Revenues Report, and county fee reports. This section is also the liaison to the State of Nevada's outside auditors, Eide Bailly, LLC.

Debt Collection Section – The Debt Collection section maintains a computerized application containing individuals, organizations and businesses who owe the State money. This application allows the section to automate notices and prepare reports. Various methods of collection include offsetting vendor payments against debtors' accounts and issuing garnishments and bank levies against debtors' accounts.

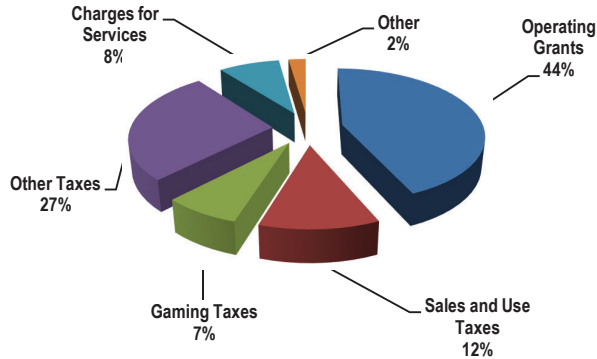
Agency Services Section – The Agency Services section processes all accounts payable and payroll payments for the State of Nevada. In addition, this section works with all state agencies throughout the year assisting with wire transactions, employee garnishments and posting Journal Vouchers. This section also provides financial help desk to users of Advantage Financial System. The Vendor Services Desk, which is part of this section, assists in vendor set-up and maintenance for account payable processing.



NEVADA'S FINANCES

FISCAL 2019 REVENUES BY SOURCE

PRIMARY GOVERNMENT SOURCES OF REVENUE



Please see CAFR MD&A for detail of increases & decreases in revenues and expenses.

Revenues by Source Expressed in Thousands	2018 Revenue	2019 Revenue	% Change
Operating Grants	\$ 5,356,997	\$ 5,619,674	4.90%
Sales and Use Taxes	1,340,985	1,473,990	9.92%
Gaming Taxes	868,923	953,711	9.76%
Other Taxes	3,407,452	3,539,569	3.88%
Charges for Services	1,034,568	1,054,876	1.96%
Other	236,210	296,793	25.65%
Total Revenues	\$ 12,245,135	\$ 12,938,613	5.66%

Notes

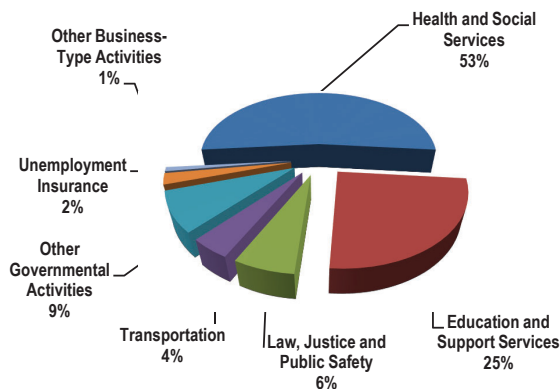
Operating Grants – Primarily federal grants for various state programs.

Other Taxes – Includes modified business tax, insurance premium tax, motor and special fuel tax, property and transfer tax.

Charges for Services – Includes inspections, licensing, permits, and fees.

FISCAL 2019 EXPENSES BY FUNCTION

PRIMARY GOVERNMENT FUNCTIONAL EXPENSES



Expenditures by Function Expressed in Thousands	2018 Expenses	2019 Expenses	% Change
Health and Social Services	\$ 5,843,744	\$ 6,090,380	4.22%
Education and Support Services	2,893,291	2,875,196	-0.63%
Law, Justice and Public Safety	729,018	712,443	-2.27%
Transportation	851,333	483,718	-43.18%
Other Governmental Activities	860,210	985,624	14.58%
Unemployment Insurance	297,531	281,191	-5.49%
Other Business-Type Activities	112,656	106,694	-5.29%
Total Expenses	\$ 11,587,783	\$ 11,535,246	-0.45%

Notes

Other Governmental Activities – Regulation of business, recreation and resource development, general government.

Other Business-Type Activities – Housing, workers' compensation, higher education tuition.

An independent audit of the State's financial statements resulted in an unmodified audit opinion. Financial information in this report is derived from Generally Accepted Accounting Principles (GAAP) data in the State's Comprehensive Annual Financial Report (CAFR).

Primary government does not contain financial information for the State's Component Units: Nevada System of Higher Education, Colorado River Commission and Nevada Capital Investment Corporation.

To see additional information, visit: controller.nv.gov



NEVADA'S FINANCES, continued

Government-wide:

Net Position (GAAP):

- Total assets exceeded liabilities by \$11.2 billion. Of this amount, \$9.3 billion is net investment in capital assets and \$3.9 billion is restricted for specific use; these items are not available to meet the State's general obligations. A negative \$2.0 billion is reported as an unrestricted deficit, which means no funds are available for discretionary purposes.

Fund-level:

- The State's governmental funds reported combined ending fund balances of \$2.2 billion, an increase of \$256.7 million from the prior year.
- The State's enterprise funds reported combined ending net position of \$2.8 billion, an increase of \$519.3 million from the prior year.

Capital Assets and Long-term Debt:

- The State's capital assets, net of depreciation, at June 30, 2019, is \$10.8 billion.
- The State's total bonds payable and certificates of participation payable at June 30, 2019, is \$2.9 billion.

SILVER STATE MODERNIZATION AND RESOURCE TECHNOLOGY FOR THE 21ST CENTURY (SMART21)

The SMART 21 project was created to replace the State's 19-year-old legacy financial and human resource system. Established under Assembly Bill 504 of the 79th Legislative Session, the State of Nevada's Office of Project Management (OPM) was designated as the implementation agency for the SMART 21 ERP project (SAP). The Controller's Office is an integral participant in the implementation of this important project with several staff assisting to establish the financial structure within the SAP system. In addition to the Directors of Department of Administration and Governor's Finance Office, the State Controller is one of three members on the executive committee providing sponsorship, guidance and strategy to achieve the SMART21 project objectives.

80TH LEGISLATIVE SESSION HIGHLIGHTS

- **Education** - SB543 Revises Nevada's 50-year education funding formula
- **Health Services** - Increase funding for mental health and created Patient Protection Commission
- **Gov't Services** - SB135 Allows for state worker collective bargaining rights
- **Public Works** - Capital improvement projects approved during the 80th Legislative Session totaled \$346 million over the biennium
- **Resource Development** - Increase Renewable Energy Standards to 50% by 2030
- **Law and Justice** - Voting rights restored to Nevadans previously in prison



DEPENDENCY ON FEDERAL FUNDS

During fiscal year ended June 30, 2019, Nevada programs dependent on federal grants was \$5.9 billion, an increase of \$269 million over 2018. Below is a summary of expenditures by category:

Transportation	\$376 million
Education	\$338 million
Health Services (primarily Medicaid)	\$3,187 million
Social Services (primarily unemployment insurance)	\$308 million
Agriculture (primarily School Nutrition programs)	\$858 million
Other	\$142 million



ECONOMIC OUTLOOK AND CONDITION

The Nevada economy continues favorable employment growth. Stability in tourism and gaming industries will remain positive assuming the national economy remains strong. The May 1, 2019, Economic Forum estimates General Fund revenues for fiscal year 2019 increased by 5.9% compared to 2018 and General Fund revenues are estimated to increase by 4.4% in fiscal year 2020 and 3.4% in fiscal year 2021.

Throughout 2019, the Silver State added over 45,000 jobs, an increase of 3.3% over last year and personal income increased 3.8% to \$50,675 compared to \$48,802 in 2018. Taxable sales increased 6.1% from \$58.9 billion in 2018 to \$62.6 billion in the 2019 fiscal year. In 2018, visitor volume in Las Vegas was 42.1 million visitors, down 0.2% from 42.2 million in 2017. In the current year, visitor volume in Las Vegas is on track to increase 0.6% by calendar year end. At June 30, 2019, the unemployment rate was 4.0%, down from 4.5% at June 30, 2018.

DEMOGRAPHIC INFORMATION

	Calendar Year 2017	Fiscal Year 2018	Fiscal Year 2019
Population	3.0 million	3.03 million	3.09 million
Per-capita income	\$46,159	\$48,802	\$50,676
Visitor volume	56,464,890	56,519,001	56,464,612
Taxable Sales	\$56.5 billion	\$58.9 billion	\$62.6 billion
Nevada Labor Force	1.46 million	1.48 million	1.52 million
Unemployment Rate	5.0%	4.5%	4.0%
PK – 12 student	473,695	492,416	498,616

PERFORMANCE MEASURE HIGHLIGHTS

	Calendar Year 2018	Fiscal Year 2019	Fiscal Year 2020
Transportation			
Fatalities & serious crashes	1,360	not available	not available
Estimated 5 year average	1,509	1,505	1,419
Goal	0	0	0

	School Year 2018-2019	School Year 2018-2019	School Year 2018-2019
Education			
	Elementary School	Middle School	High School
ELA proficiency standards met	50.3%	48.9%	47.6%
Math proficiency standards met	43.8%	33.2%	26.3%
	School Year 2015-16	School Year 2016-17	School Year 2017-18
High School Graduation Rate	73.6%	80.9%	83.2%

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Health and Social Services			
Avg monthly medicaid participants	637,780	654,936	653,694
Avg monthly SNAP (food stamps) participants	440,485	440,694	427,534

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Outstanding Debt			
Amount of State debt per each citizen	\$ 1,024	\$ 979	\$ 952

To see additional information, visit: controller.nv.gov



CREDITS AND ACKNOWLEDGEMENTS

This report is prepared by the Office of the State Controller and includes information from the 2019 Comprehensive Annual Financial Report (CAFR). Information was also derived from the 80th Legislative Session and from various nv.gov websites including:

- NV State Controller's Office
- NV Department of Employment, Training and Rehabilitation
- NV Department of Transportation
- NV Department of Education
- NV Governor's Office of Project Management, SMART21
- NV Department of Taxation
- NV Department of Health and Human Services
- NV State Printing Office



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