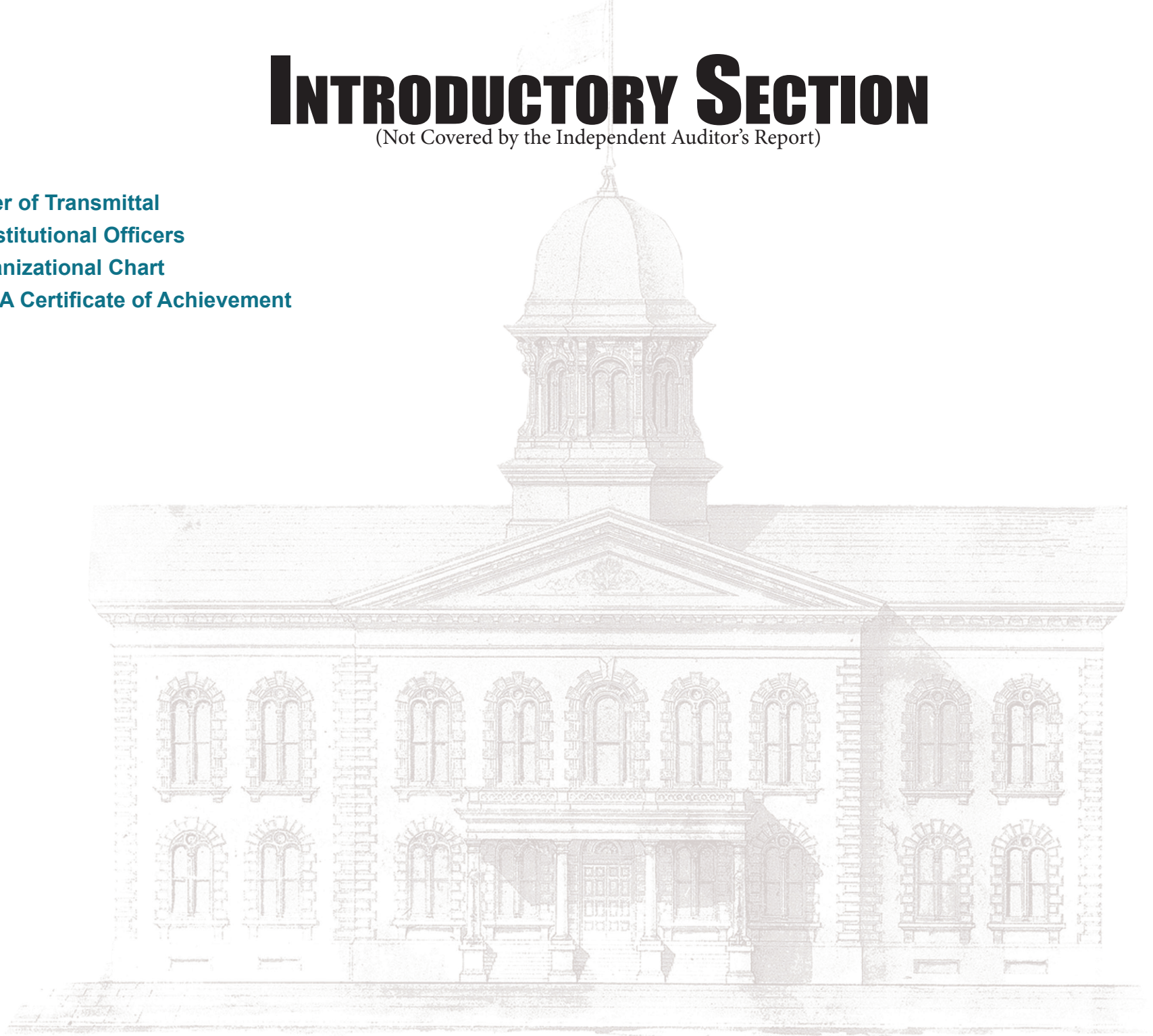


# INTRODUCTORY SECTION

(Not Covered by the Independent Auditor's Report)

Letter of Transmittal  
Constitutional Officers  
Organizational Chart  
GFOA Certificate of Achievement



*Joseph Costello, Architect No. 9 Post St.  
San Francisco*

**STATE OF NEVADA**

**Comprehensive**

**Annual**

**Financial**

**Report**

**for the Fiscal Year  
Ended June 30, 2019**

**Catherine E. Byrne, CPA  
State Controller**





# **CATHERINE E. BYRNE, CPA**

## **NEVADA STATE CONTROLLER**

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.

While working and raising a family, Catherine persevered to complete her education, and in 1997 she graduated from California Lutheran University, earning a Bachelor of Science in Accounting. She gained experience with audits of public companies and earned her California CPA license in 2000. She is experienced in human resource management, payroll and accounts payable; debt collection and accounts receivable; federal grants and contracts accounting; major systems implementations and financial reporting standards established by Governmental Accounting Standards Board (GASB). 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). In her position, she was responsible for monitoring the financial transactions of several large agencies in the State.

She is a member of the Association of Government Accountants, the Government Finance Officers Association and the National Association of State Controllers. She is a member of American Federation of State, County and Municipal Employees (AFSCME), Local 4041, and is Treasurer of the Sierra Range Chapter. She is a 2017 graduate of Emerge Nevada.

Catherine was born in San Diego, California. Her father served in the United States Coast Guard and her mother is a retired nurse. After her father retired, the family settled in Oxnard, California where she lived for over 35 years. She moved to Nevada in 2011.

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.



# State of Nevada

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OFFICE OF THE  
STATE CONTROLLER

January 31, 2020

To the Citizens, Governor and Legislators of the State of Nevada:

I am pleased to present the State of Nevada Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, in accordance with Nevada Revised Statutes (NRS) 227.110 and the State Accounting Procedures Law (NRS 353.291 through 353.3245). The objective of this Report is to provide a clear picture of the government as a single, unified entity, in addition to traditional fund-based financial statements.

**Responsibility:** The Controller's Office prepares the State of Nevada CAFR and is responsible for the accuracy, completeness, and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the State of Nevada CAFR is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. Additionally, this report includes all disclosures necessary to enable the reader to gain a reasonable understanding of Nevada's financial activities.

**Accounting Principles Generally Accepted in the United States of America:** As required by State Accounting Procedures Law, this report has been prepared in accordance with generally accepted accounting principles (GAAP), applicable to State and Local Governments as established by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association (GFOA) for the contents of government financial reports and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

**Internal Control Structure:** The State of Nevada has established a comprehensive internal control framework designed to both safeguard the government's assets against loss from unauthorized use or theft, and to properly record and adequately document transactions. As a result, the transactions can be compiled into the presentation of the State's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Many of our essential control features are decentralized. Hence, the State relies upon the controls in place within its various departments and agencies. NRS 353A.025 requires the heads of agencies to review their internal controls on a periodic basis to determine if agencies are in compliance with the Uniform System of Internal Accounting and Administrative Controls adopted pursuant to NRS 353A.020. On or prior to fiscal year end of even-numbered years, agencies are required to report the status of their internal controls to the Division of Internal Audit.

**Independent Auditors:** The independent accounting firm of Eide Bailly LLP, in conjunction with other independent audit firms, has audited the accompanying financial statements. The audits were conducted 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. The goal of the independent audit is to provide reasonable assurance that the financial statements of the State of Nevada are free of material misstatement. Eide Bailly LLP's opinion appears in the Financial Section of this publication.

**Single Audit:** Federal regulations also require the State to undergo an annual Single Audit in conformity with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings, and recommendations summary of prior audit findings, and Auditors' Report, is issued in a separate report. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. This report can be found in the Compliance Section of the CAFR, and in the State of Nevada's separately issued Single Audit report.

**Management's Discussion and Analysis:** GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **Profile of Government**

**Background:** The Nevada Territory was created by Congress on March 2, 1861, and its boundaries were subsequently expanded eastward in 1862 and eastward and southward in 1866. On October 31, 1864, President Lincoln proclaimed Nevada's admission to the Union as the 36th state. The State's first elected Governor, Henry Blasdel, took office on December 5, 1864. The Great Basin Desert dominates the Nevada landscape, with the Sierra Nevada Mountains to the west and the Rocky Mountains to the east. Approximately 85 percent of Nevada's 70,264,320 acres is federally owned. More than 90% of Nevada's 3.09 million residents live in one of two distinct population centers: The Reno/Sparks/Carson City area near Lake Tahoe in the northwest and Clark County at the southeastern tip.

Nevada does not have personal income tax. Government services are funded by gaming and sales taxes, motor vehicle taxes and a variety of direct and indirect taxes on businesses. Nevada has offered a continuous legal market for gaming since 1935, which imposes taxes to finance a share of public services. Historically, Nevada relied heavily on the gaming industry. However, since the Great Recession, Nevada has worked to diversify the economy by expanding tourism and hospitality, professional services, healthcare, construction, and, transportation and warehousing industries thereby reducing the reliance on gaming revenue.

**Structure:** As shown in the Organizational Chart on page vi, the State government is divided into three separate branches: legislative, executive, and judicial. The State operates under a constitution which can be amended only by the vote of the State's citizens, Legislature or by citizen initiatives. The government provides a full range of services for its citizens including education, health and social services, highway maintenance and construction, law enforcement, public safety, business regulation, and resource development. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help meet the specific needs of their constituents.

**Reporting Entity:** The State of Nevada, as the reporting entity, conforms to the requirements of GASB Statement No. 14 and No. 34 as amended by GASB Statement No. 61. The accounting and reporting principles reflected in these statements are based primarily upon the fundamental concept that publicly elected officials are accountable to their constituents, and to distinguish between the primary government and its component units. The State's legally separate component units include the Nevada System of Higher Education, Colorado River Commission, and Nevada Capital Investment Corporation. In addition, the Nevada Real Property Corporation is reported as a blended component unit. The State also includes the presentation of its trust and agency funds. The State Legislature sets statutorily the parameters within which all these entities operate. Additional information on discretely presented component units can be found in Note 1 to the financial statements

**Budget Process and Control:** State law (NRS 353.205) requires a balanced budget. The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than 14 calendar days before each



regular session, which convenes every odd-numbered year. The presented budget spans the next two fiscal years and contains the detailed budgetary estimates of revenues and expenditures. The Legislature enacts the budget through passage of the General Appropriations Act and the Authorized Expenditures Act. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years. Under certain circumstances, budgetary revisions may be made without Legislative action. Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period. At June 30, 2019, the final budget was \$692.7 million in excess of actual revenue and expenditures, including reversions.

## **Financial Planning and Policies Information**

**Capital Assets:** In fiscal year 2019, Nevada corrected the carrying value of transportation infrastructure for construction in progress before June 30, 2019. These uncompleted projects should have been included in capital assets in the Statement of Net Position, instead the costs were expensed in the period incurred.

**Debt Management:** The State Constitution limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State. Additional disclosures regarding the State's long-term obligations are provided in the notes to the basic financial statements.

**Economic Forum:** In accordance with State law, The Economic Forum, comprised of private economic and financial experts appointed by the Legislature and the Governor, sets the General Fund revenue forecasts which are binding on the budget. If revenues fall below those originally anticipated during the course of the fiscal year, the Governor must revise the budget to ensure that State appropriations do not exceed revenues. If the revisions exceed thresholds specified in NRS 353.220, they must be submitted to the Legislative Interim Finance Committee for approval.

**Budget Stabilization:** NRS 353.288 provides for the Account to Stabilize the Operation of the State Government. Nevada uses several economic indicators to trigger additions and expenditures within the Stabilization Account. The account is classified as committed for fiscal emergency in the General Fund balance sheet.

**Federal Funding:** Grants and entitlements provides a substantial portion of the State's revenues. Continued funding is subject to changes in federal regulation. Nevada depends heavily on federal funding for government services such as education, medicare and transportation. During fiscal year 2019, \$5.6 billion, or 43.8% of intergovernmental revenues in Nevada come from federal sources.

## **Economic Outlook and Condition**

**Nevada Economy:** The major industries in Nevada are tourism and hospitality, gambling, mining, science and technology services, health and social services, construction, and retail trade. Job growth, taxable sales, unemployment rate, and gaming win are indicators used to assess the health of Nevada's economy. Other economic indicators used include Las Vegas and Reno visitor volume and personal income growth. During 2019, the Silver State added 45,200 jobs, taxable sales increased by 3.7%, and the unemployment rate was 4.1% at year-end. Personal income increased 3.8% to \$50,676 compared to \$48,802 in 2018. Calendar year 2019 Las Vegas visitor volume is on track to increase by .6% over 2018 calendar year.

**Economic Outlook:** 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 2020 are expected to increase by 4.4% compared to 2019. Nevada struggles with the lack of skilled workers and continues to develop training opportunities by collaborating with Nevada System of Higher Education and labor and trade organizations.

## Major State Initiatives

**General Government:** SB 135 was passed during the 80<sup>th</sup> Legislative session allowing state employees to collectively bargain for wages and benefits. The State Legislature restored construction projects on public schools to pay workers at prevailing wage.

**Education:** Legislation passed during the 80<sup>th</sup> Legislative Session included modernization of Nevada's education funding formula. SB 543 is an overhaul of the State's 50-year-old funding formula. Nevada uses the Schools Performance Framework which measures a school's performance using a star-rating system. Some of the measures that factor in a school's rating are proficiency in English language, math and science, chronic absenteeism, and graduation rate.

**Health and Social Services:** Legislation passed during the 80<sup>th</sup> Legislative Session included increased funding for mental health services, leveraged the purchasing power of pharmaceutical prices for public health plans and creation of the Patient Protection Commission.

**Transportation:** Nevada Department of Transportation (NDOT) has completed work on the largest transportation project in Nevada's history, known as Project Neon in Las Vegas. This project will be followed by the I-80/I-580 Interchange (also known as the Spaghetti Bowl Xpress) in northern Nevada and the I-11 corridor development between the State's two metropolitan hubs. NDOT's project schedules are contingent on the availability of funding. In 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act. The FAST Act provides long-term funding certainty for infrastructure projects.

**Law, Justice and Public Safety:** In 2019, Nevada lawmakers passed Assembly Bill 431, a new law that gives back the rights to Nevadans who were convicted of a crime but are not currently incarcerated.

**Other Highlights:** Nevada continues to expand services for our veterans, active military and their families. Legislation passed during the 80<sup>th</sup> Legislative Session included a Veteran Dental Program and waiving certain college registration fees. The 2019-21 biennium budget creates transferable tax credits for affordable housing. Legislation for paid leave and minimum wage increases was also passed during the 80th Legislative Session.

## Awards and Acknowledgments

**GFOA Certificate of Achievement:** The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Nevada for its CAFR for the fiscal year ended June 30, 2018. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory Section of the CAFR. A Certificate of Achievement is valid for only a one-year period. We believe that this current CAFR continues to meet the requirements of Certificate of Achievement Program, and we are submitting it to the GFOA to determine its eligibility for certificate.

**Acknowledgments and Conclusion:** This report would not have been possible without the hard work, dedication and professionalism of my staff and the cooperation and assistance from all State agencies, Executive, Legislature and Judiciary. I sincerely appreciate the efforts of all the individuals involved, especially the Controller's Office staff. We are committed to advancing accountability, efficiency, and good governance in the State's financial operations.

Sincerely,



Catherine E. Byrne, CPA  
Nevada State Controller

# STATE OF NEVADA

## CONSTITUTIONAL OFFICERS



**KATE MARSHALL**  
**LIEUTENANT GOVERNOR**



**STEVE SISOLAK**  
**GOVERNOR**



**BARBARA K. CEGAVSKE**  
**SECRETARY OF STATE**



**ZACK CONINE**  
**TREASURER**

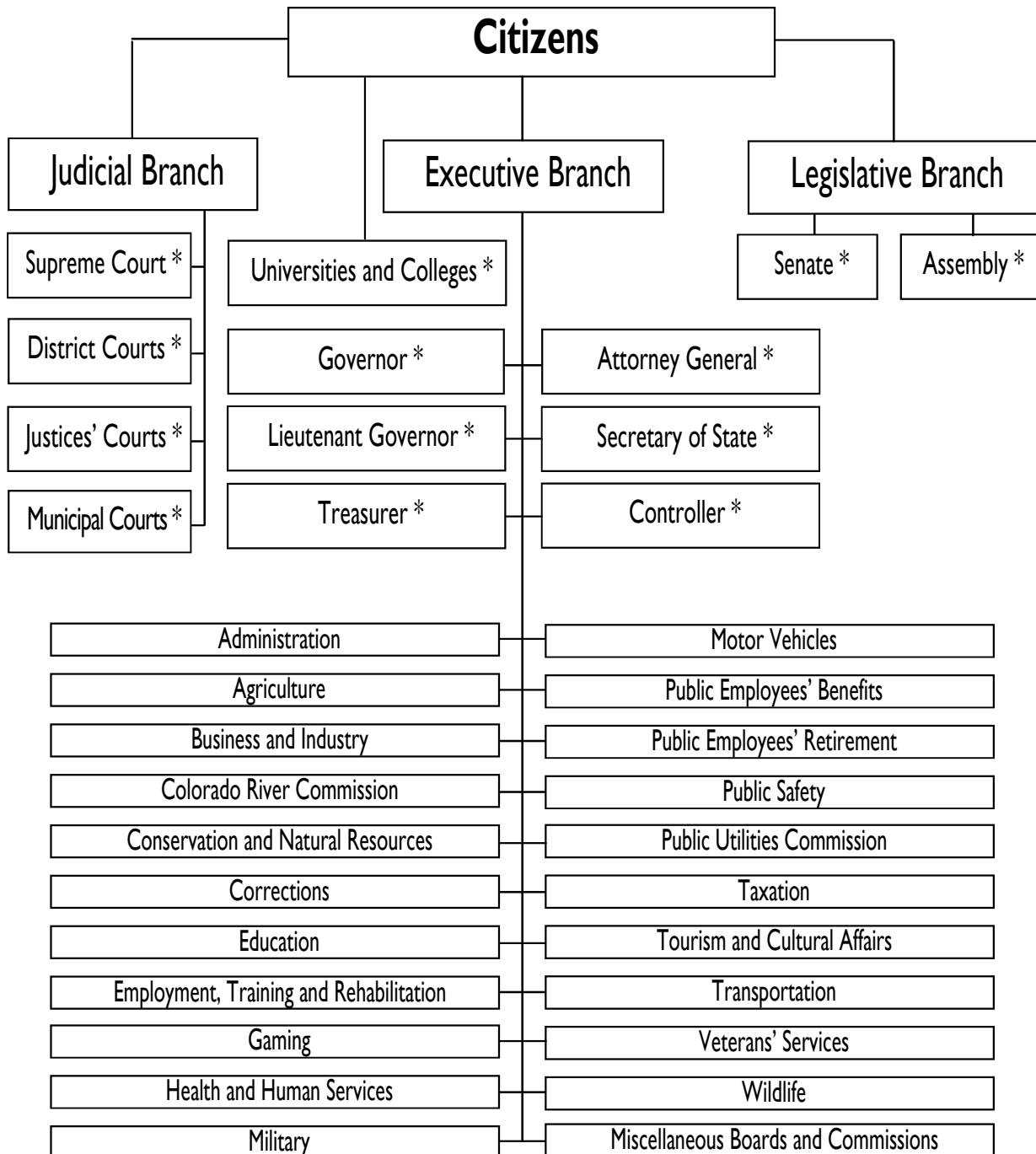


**CATHERINE E. BYRNE**  
**CONTROLLER**



**AARON FORD**  
**ATTORNEY GENERAL**

# ORGANIZATIONAL CHART



\* Elected Officials





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Nevada**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO