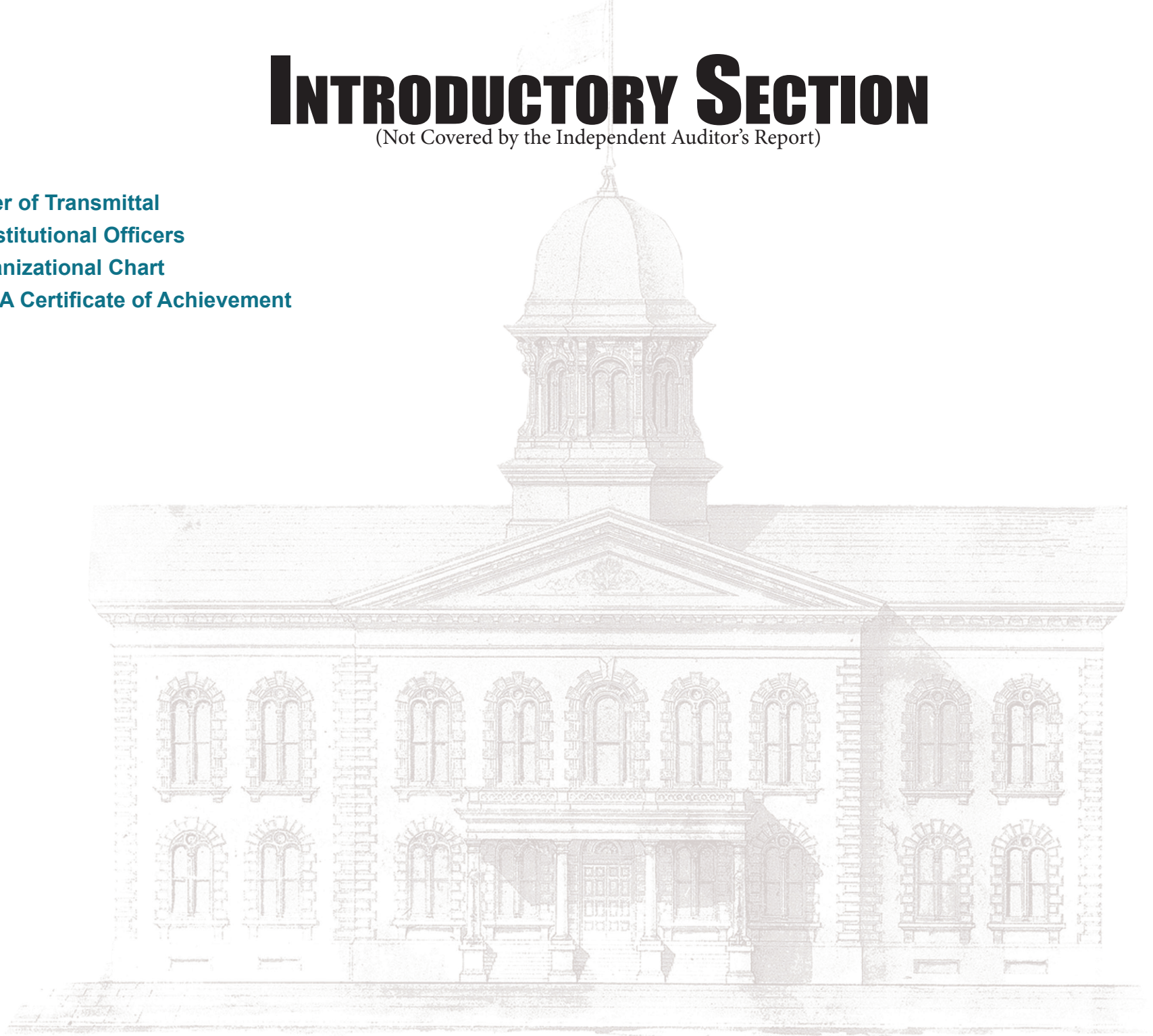


# INTRODUCTORY SECTION

(Not Covered by the Independent Auditor's Report)

Letter of Transmittal  
Constitutional Officers  
Organizational Chart  
GFOA Certificate of Achievement



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

# **Catherine 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 using 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 Annual Comprehensive Financial Report (ACFR). 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 (AGA), the Government Finance Officers Association (GFOA), the National Association of State Comptrollers (NASC), and Nevada Society of CPAs. 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 was 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 exploring Nevada's state parks.



# State of Nevada

## Table of Contents

### PAGE

#### **INTRODUCTORY SECTION** (Not Covered by the Independent Auditor's Report)

Letter of Transmittal.....	i
Constitutional Officers.....	vii
Organizational Chart.....	viii
GFOA Certificate of Achievement.....	ix

#### **FINANCIAL SECTION**

Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	7

##### Basic Financial Statements

###### Government-Wide Financial Statements

Statement of Net Position.....	18
Statement of Activities.....	20

###### Fund Financial Statements

Balance Sheet - Governmental Funds.....	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	25
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Net Position - Proprietary Funds.....	28
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	31
Statement of Cash Flows - Proprietary Funds.....	32
Statement of Fiduciary Net Position - Fiduciary Funds.....	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	35
Combining Statement of Net Position - Discretely Presented Component Units.....	36
Combining Statement of Activities - Discretely Presented Component Units.....	37
Notes to the Financial Statements.....	38

##### Required Supplementary Information

Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds.....	96
Notes to the Required Supplementary Information - Budgetary Reporting.....	98
Pension Plan Information.....	99
Postemployment Benefits Other Than Pensions (OPEB).....	102
Schedule of Infrastructure Condition and Maintenance Data.....	104

##### Combining Statements and Schedules

###### Nonmajor Governmental Funds

Combining Balance Sheet.....	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	109

###### Nonmajor Special Revenue Funds

Combining Balance Sheet.....	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	114

# State of Nevada

## Table of Contents

### PAGE

#### Other Nonmajor Governmental Funds

Combining Balance Sheet.....118

Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....122

#### Budgetary Schedules

Schedule of Total Uses - Budget and Actual, Non-GAAP Budgetary Basis -  
All General Fund Budgets.....126

Schedule of Total Uses - Budget and Actual, Non-GAAP Budgetary Basis -  
All Special Revenue Funds Budgets.....136

Schedule of Sources - Budget and Actual, Non-GAAP Budgetary Basis -  
All Nonmajor Special Revenue Fund Budgets.....140

#### Nonmajor Enterprise Funds

Combining Statement of Net Position.....144

Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....146

Combining Statement of Cash Flows.....148

#### Internal Service Funds

Combining Statement of Net Position.....152

Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....154

Combining Statement of Cash Flows.....156

#### Fiduciary Funds

Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefit Trust,  
Investment Trust, Private - Purpose Trust and Custodial Funds.....160

Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee  
Benefit Trust, Investment Trust, Private - Purpose Trust and Custodial Funds.....164

### **STATISTICAL SECTION (Not Covered by the Independent Auditor's Report)**

Table 1 - Net Position by Component.....168

Table 2 - Changes in Net Position.....169

Table 3 - Fund Balances of Governmental Funds.....172

Table 4 - Changes in Fund Balances of Governmental Funds.....174

Table 5 - Taxable Sales by County.....176

Table 6 - Principal Sales Tax Payers by Business Type.....177

Table 7 - Ratios of Outstanding Debt by Type.....178

Table 8 - Ratios of General Bonded Debt Outstanding.....179

Table 9 - Legal Debt Margin Information.....180

Table 10 - Pledged Revenue Coverage.....181

Table 11 - Demographic and Economic Statistics.....182

Table 12 - Principal Industries.....183

Table 13 - School Enrollment.....184

Table 14 - Full-time Equivalent State Government Employees by Function.....185

Table 15 - Operating Indicators by Function.....186

Table 16 - Capital Asset Statistics by Function.....189

### **COMPLIANCE SECTION**

Independent Auditor's Report on Internal Control.....192



OFFICE OF THE  
STATE CONTROLLER

May 21, 2021

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

I am pleased to present the Annual Comprehensive Financial Report (ACFR) for the State of Nevada's fiscal year ended June 30, 2020, 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 ACFR 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 ACFR 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 following 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 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 the provisions of the Single Audit Amendments Act of 1996 and the United States Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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. Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings and recommendations, a summary of prior audit findings, and auditors' reports on internal controls and compliance with applicable laws and regulations are issued in a separate report.

**Management's Discussion and Analysis:** GAAP requires management to provide a narrative introduction, over- view 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. The State's MD&A can be found following the independent auditor's report.

### **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. Nevada is largely desert and semiarid and predominately within the Great Basin. Much of southern Nevada is in the Mojave Desert. Lake Tahoe and the Sierra Nevada ridge lie on the northwestern edge. Approximately 84 percent of Nevada's 70,264,320 acres is federally owned. Federally owned property is used by the Department of Defense, Bureau of Land Management, forestry, and national park service. Over one million acres is tribal land and is home to 27 recognized tribes. Nevada has sparsely populated open range and national forests. More than 90 percent of Nevada's 3.1 million residents live in one of two distinct urban population centers: The Reno/Sparks/Carson City area near Lake Tahoe in the northwest and Clark County at the southeastern tip. The Las Vegas Strip (The Strip) is in Clark County and not part of the incorporated City of Las Vegas.

**Nevada Economy:** Nevada does not have personal income tax. 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 and mining industries. The decade before the outbreak of COVID-19, Nevada had worked to diversify the economy by expanding beyond the gaming industry, mining industry, and tourism and hospitality. Today, government services are funded by several revenue sources to include gaming, sales taxes, motor vehicle taxes and a variety of direct and indirect taxes on businesses.



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 room occupancy rates.

**Structure:** As shown in the Organizational Chart 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 construction and maintenance, 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 Governor's recommended 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. In 2019, the 80<sup>th</sup> Legislative Session passed the 2020-2021 Authorized Expenditure Act and General Appropriations Act in Senate Bill 553 and Assembly Bill 543, respectively.

### **Financial Planning and Policies Information**

**Debt Management:** Section 3, Article 9, of the State Constitution limits the aggregate principal amount of the State's general obligation bonds debt to 2 percent of the total reported assessed property value of the State. Under certain circumstances, general obligation bonds are exempt from Constitutional Debt Limitation. Special obligation highway revenue bonds provide funds for highway construction projects and special obligation housing bonds provide for housing loans or to purchase mortgage loans. Special obligation bonds are paid from gross pledged revenues and are not general obligations 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 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 (Rainy-Day Fund). Nevada uses several economic indicators to trigger additions and expenditures within the Rainy-Day Fund. The account is classified as committed for fiscal emergency in the General Fund balance sheet. The entire balance was transferred to the General Fund for fiscal emergency

**Federal Funding:** Grants and entitlements provide a substantial portion of the State's revenues. Continued funding is subject to changes in federal regulation. Nevada depends heavily on federal funding, in the form of grants and contracts, for government services such as education, Medicaid, school lunches and transportation. During fiscal year 2020, operating grants totaled \$9.5 billion, of which \$4.0 billion is for federal unemployment grant funds. Intergovernmental revenues are a major source of revenue for the State.

### **Economic Outlook and Condition**

In early 2020, a new virus emerged out of China that plunged the world into a 100-year pandemic, killing hundreds of thousands of people in the United States. The World Health Organization declared the COVID-19 outbreak a pandemic. The Centers of Disease Control and Prevention (CDC) confirmed an outbreak of COVID-19 in numerous countries, including the United States. The respiratory disease is named coronavirus disease 2019, abbreviated as COVID-19. At the close of fiscal year 2020, Nevada and the nation were just beginning to suffer the devastating economic, public health and public education impacts of the COVID-19 crisis. The COVID-19 pandemic and its economic impacts have altered the State's fiscal conditions sharply and dramatically, resulting in steep declines in revenues that Nevada relies on to fund government services. For Nevada, the consequences of the COVID-19 pandemic will have a negative fiscal impact for years to come.

On March 12, 2020, the Governor issued declaration of emergency for COVID-19. NRS Chapter 414, authorizes the Governor to issue a proclamation declaring a state of emergency when a natural emergency or disaster of major proportions has occurred within this state. Since his initial Declaration of Emergency, Governor Sisolak has issued numerous emergency orders related to the pandemic, including emergency regulations, directives, and statements.

To address the General Fund budget shortfall for fiscal year 2019-20, estimated at \$811 million, and fiscal year 2020-21, estimated at \$1.2 billion, the Governor issued a Declaration of Fiscal Emergency on May 11, 2020. Actions taken to address the shortfalls include reducing state agency budgets, reversion of one-time appropriations and cancelling Capital Improvement Projects. The entire amount in the Rainy-Day fund, \$401 million, was transferred to the General Fund to help fill the fiscal year 2019-20 budget shortfall.

The Governor's emergency directive required the interim finance committee to recalculate estimated General Fund revenues for fiscal year 2020. The revised estimate of General Fund revenues for fiscal year ended June 30, 2020, was \$3.99 billion. A decrease of \$457 million or 10.3 percent of General Fund revenues estimated at May 1, 2019 Economic Forum.



On July 7, 2020, the Governor issued proclamation to convene a special session, 31<sup>st</sup> Special Session, of the Nevada State legislature to consider the effects of COVID-19 2021 budget shortfall and the impact of the pandemic on general fund revenues. Deep cuts in government services were made in the 31<sup>st</sup> Special Session. Contained in SB1 of the 31<sup>st</sup> Special Session, estimated General fund revenues for the fiscal year ended June 30, 2021, were reduced to \$4.0 billion compared to May 1, 2019 economic forum of \$4.7 billion.

Senate Bill #4 of the 31<sup>st</sup> Legislative Special Session authorizes the State Board of Finance to issue interim bonds for a temporary period to fund general operations of the State.

Since the Governor issued the Declaration of Emergency on March 12, 2020, over 851 thousand initial Unemployment Insurance (UI) claims have been filed through the week ending February 13<sup>th</sup>, 2021. The Pandemic Unemployment Assistance (PUA) program, which provides benefits for self-employed workers, filed a total of 1.08 million initial applications through February 13<sup>th</sup>, 2021. The PUA program is highly variable due to ongoing high levels of fraudulent claims.

Nevada continues to analyze the validity of claims and revenues within the State's Unemployment Insurance Fund for fiscal year 2020 and 2021. The COVID-19 pandemic displaced hundreds of thousands of Nevadans who lost their jobs through no fault of their own, creating an historic volume of unemployment benefits never seen in our State's history. Historically, Nevada's unemployment claims processing systems were designed to process claims at levels far below levels necessary to process the significant increases in claims because of the economic crisis associated with the COVID-19 pandemic. Nevada's unemployment fund, an enterprise fund, claims and benefit payments for year ended June 30, 2020 are estimated at \$5.5 billion compared to \$281 thousand in fiscal year 2019. However, at the date of this report, we have not completed our analysis to determine the number and amount of fraudulent unemployment claims that has occurred in Nevada in calendar year 2020. Fraudulent unemployment claims have been paid by employer assessments and federal Pandemic Unemployment Insurance (PUI) grants.

Total Nevadans employed at the end of April 2020 was less than 1 million and nearly 514 thousand fewer than at the end of February 2020. The April 2020 unemployment rate reached an alarming rate of 30.1 percent. Nearly one-third of working Nevadans were out of work. By December 2020, the unemployment rate decreased to 9 percent.

Taxable sales for fiscal year 2020 decreased by \$1.2 billion or 1.9 percent. Calendar year 2020 and 2019 Las Vegas visitor volume decreased 55.2 percent from 42.5 million in 2019 to 19 million in 2020. Visitor volume to Reno/Sparks in 2020 was estimated at 2.7 million, a decrease of 1.5 million or 35.7 percent.

### **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 ACFR for the fiscal year ended June 30, 2019. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR that satisfies both GAAP and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory Section of the ACFR. A Certificate of Achievement is valid for only a one-year period. We believe that this current ACFR 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, Governor's Office of Finance, Department of Taxation, and the Department of Employment, Training and Rehabilitation. We are committed to advancing accountability, efficiency, and good governance in the State's financial operations.

Sincerely,

A handwritten signature in black ink that reads "Catherine E. Byrne". The signature is written in a cursive, flowing style.

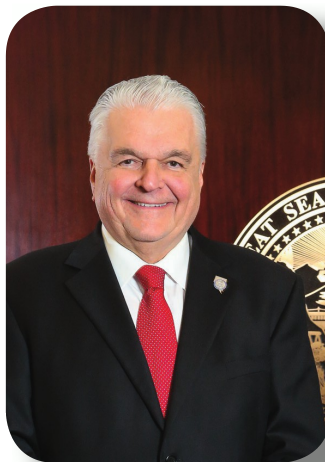
Catherine E. Byrne, CPA  
Nevada State Controller

# STATE OF NEVADA

## CONSTITUTIONAL OFFICERS



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



**STEVE SISOLAK**  
**GOVERNOR**



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



**ZACK CONINE**  
**TREASURER**

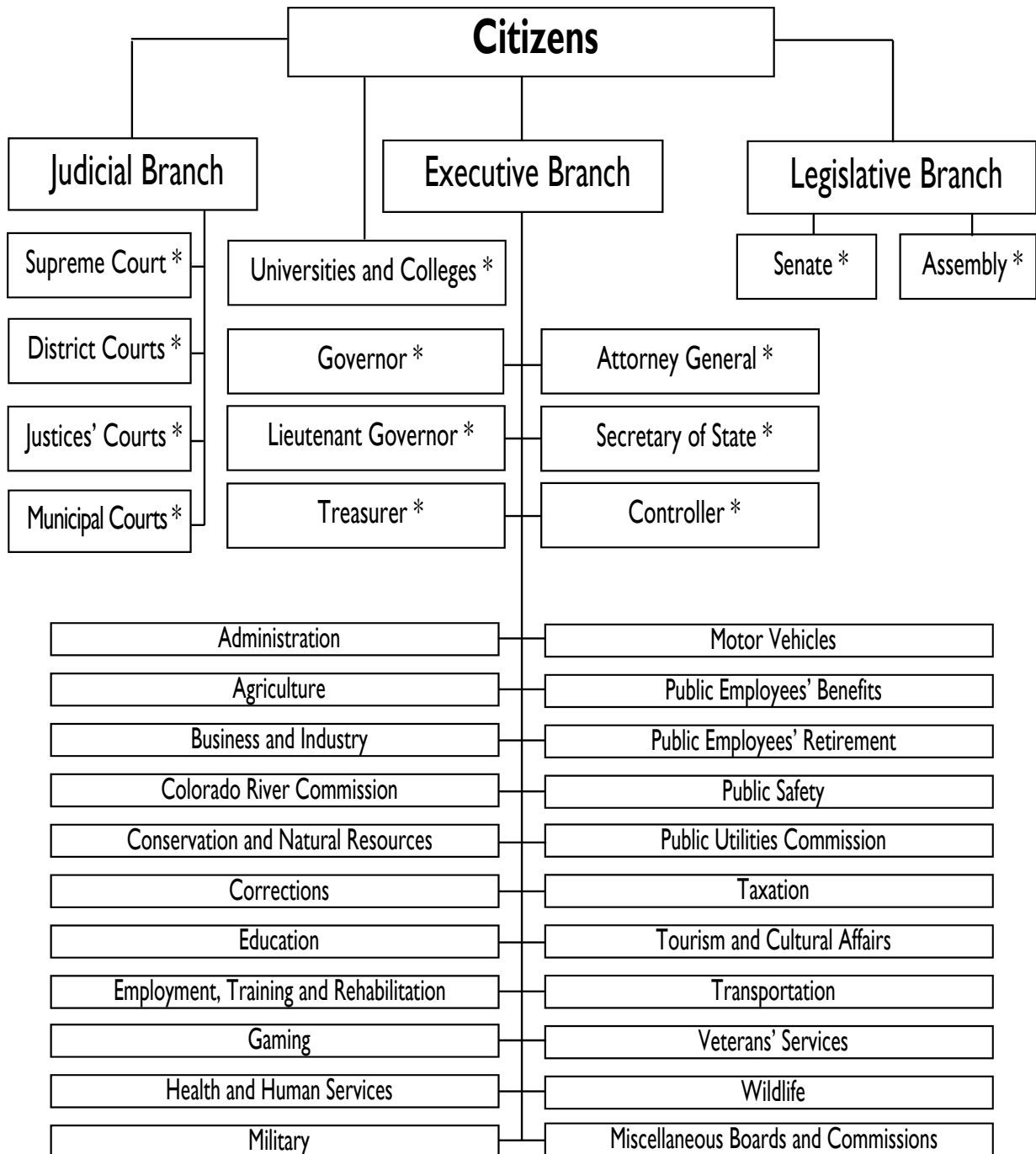


**CATHERINE E. BYRNE**  
**CONTROLLER**



**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, 2019

*Christopher P. Morill*

Executive Director/CEO