Financial Statements
December 31, 2018

Nevada State Board of Medical Examiners

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Independent Auditor's Report

To the Members of the Board
Nevada State Board of Medical Examiners
Reno, Nevada

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the Nevada State Board of Medical Examiners (Board) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Nevada State Board of Medical Examiners, as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 10 to the financial statements, the Nevada State Board of Medical Examiners has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of January 1, 2018. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 10 to the financial statements, the Nevada State Board of Medical Examiners has corrected an error related to the valuation of pension related amounts, which has resulted in a restatement of the net position at January 1, 2018. Additionally, there was a restatement to correct a misclassification of cash equivalents on the statement of cash flows. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the schedule of changes in net pension liability and schedule of contributions on page 28, and schedule of changes in other postemployment benefits liability and related ratios on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Nevada State Board of Medical Examiners. The statement of revenue and expenses – budget and actual on page 30 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of revenue and expenses – budget and actual 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. Such 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 statement of revenue and expenses – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of the Nevada State Board of Medical Examiners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nevada State Board of Medical Examiners' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
November 26, 2019

Within this section of the Nevada State Board of Medical Examiner's (Board) annual financial report, the Board's management provides narrative discussion and analysis of the financial activities of the Board for the fiscal years ended December 31, 2018 and 2017. The Board's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The Board's assets and deferred outflows of resources are less than its liabilities and deferred inflows of resources by $2,055,374 as of December 31, 2018. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $816,356.

- Total assets include cash and short-term investments, receivables from disciplinary adjudications, and capital assets, net of accumulated depreciation. Total assets as of December 31, 2018 were $6,131,691, as compared to $9,845,721 as of December 31, 2017. This represents a decrease of $3,714,030 or 37% and is expected in a non-renewal year.

- Total liabilities, including licensing fees received in advance, as of December 31, 2018 were $9,074,265, as compared to $9,510,974 as of December 31, 2017. This was a decrease of $439,709 or 4.6%. The expected decline at the end of the biennial licensing period was offset by the recording of net OPEB liabilities required with the current year implementation of GASB Statement No. 75.

- Total net position ($2,055,374) as of December 31, 2018 is comprised of the following:

1. Capital assets (property and equipment), net of accumulated depreciation of $3,683,682.

2. Unrestricted net position of ($5,739,056).

Capital assets increased $3,367,749 because of the purchase of a new office building in Reno, Nevada. The purchase of the building and recording of net OPEB liabilities as required by the implementation of GASB Statement No. 75 resulted in the deficit unrestricted net position at December 31, 2018.

- Operating expenses were $5,592,348 for the year ended December 31, 2018. This represents an increase of $373,746, or 7% from the previous fiscal year. The increase is due primarily to personnel costs for salaries and post-employment benefits based upon actuarial valuation reports.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Board's basic financial statements, which include: 1) The basic financial statements, and 2) Notes to the financial statements. Also included in this report is additional information to supplement the basic financial statements.

Board's Financial Statements

The Board's financial statements are presented using a perspective similar to that found in the private sector with its basis in full accrual accounting. The financial statements reflect operations of the Board that are principally supported from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Board's activities include the licensing and regulation of medical doctors, physician assistants, practitioners of respiratory care, and perfusionists.

The first of these statements is the Statement of Net Position. This is the Board's statement of position presenting information that includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Board as a whole is improving or deteriorating.

The second statement is the Statement of Revenue, Expenses and Changes in Net Position, which reports how the Board's net position changed during the reported fiscal years. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of when cash is paid. The Statement of Revenues, Expenses and Changes in Net Position also illustrates how the Board's primary activities are reliant on revenues provided by the licensing process.

The third statement is the Statement of Cash Flows. This statement outlines the changes in cash balances. The changes consist of cash receipts and payments for the reported years. The statement provides answers to such questions as where did cash come from?, what was cash used for? and what was the change in the cash balance during each year?

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the Board's financial statements.

In addition to the basic financial statements described above, this report also presents Required Supplementary Information in the form of various schedules. The schedules are provided to enhance the readers' understanding of the basic financial statements. Last, is the Report on Internal Controls and Compliance. This report provides information on the adequacy and effectiveness of controls. It encompasses the Board's governance, operations, and information systems. It includes the reliability and integrity of financial and operational information, safeguarding of assets, and compliance with laws, regulations, policies, and procedures.

Economic Factors

In 2017, the maturities of higher rate investments during the year and more cash to invest lead to an increase in investment income. The current investment strategy is to look for longer maturities in the fully secured, FDIC backed, CDs in order to improve yields somewhat. The Board also has incorporated a money market option with yields comparable to the CDs. The money market account is under the collateral agreement with Wells Fargo Bank to provide additional insurance protection.

Because of the economic downturn and at the encouragement of the state, management began an overall detailed expenditure review at the end of 2009. The resulting austerity program has shown significant reductions in spending and a growth in the Board's reserves. This made possible the purchase of property for the Board's continued operation in Reno in May of 2018. The purchase provided a drop-in rent and a re-allocation of Board resources to legal and office expense. There was also a re-allocation of expenses to move the medical reviewers of the Board from a contract basis to being employees of the Board. Both were significant strategic decisions to broaden the financial foundation of the Board.

In furtherance of the Board's financial responsibility, it shall endeavor to maintain an operating reserve of no less than 6 months and no greater than 12 months. The status of the reserves shall be monitored by the Executive Director. The status of the reserves shall be reported to the Board at quarterly public meetings by the Finance Manager. The measurement of the reserves shall be made using the full 2-year average monthly operating expenditures and an adjusted reserve balance. The adjusted reserve balance will include the fund balance, less restricted amounts, net of deferred outflows and resources, deferred inflows of resources, and long-term liabilities related to pensions and OPEB. The yearly budget shall reflect movement toward these designated benchmarks.

The Board is continuing its focus on continuing the allocation of available resources to better perform the mission. While the Board approved a reduction in renewal fees in 2016, it was offset by a higher number of licensees renewing. The following reflects the increasing numbers in the licensee base.

Practice	**2015 new licenses**	**2016 new licenses**	**2017 new licenses**	**2018 new licenses**
Physicians	593	665	789	939
Physician Assistants	112	112	115	158
Practitioners of Respiratory Care	149	150	149	156
Perfusionists	11	15	21	12

The major factors were a recovery in the economy of the state, a rise in the general population of the state, and a rise in the number of multiple-jurisdiction practitioners.

Licensure Counts At Year End	**2015**	**2016**	**2017**	**2018**
Physicians	7,994	8,591	8,599	9,523
Physician Assistants	694	767	806	896
Practitioners of Respiratory Care	1,346	1,457	1,435	1,539
Perfusionists	24	28	26	30

Financial Analysis of the Board

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Board as a whole. The Board's net position as of December 31, 2018 was ($2,055,374), which is a decrease of $888,805 from the restated beginning net position of ($1,166,569). The Board had budgeted a deficit of $643,200 in anticipation of increased personnel costs, the impact of implementing GASB Statement No. 75 and moving costs.

Schedule 1 - Condensed Balance Sheets
Years Ended December 31, 2018, 2017, and 2016

				2018 vs 2017		2017 vs 2016	
	2018	2017	2016	$	%	$	%
Assets							
Current assets	$ 2,448,009	$ 9,529,788	$ 6,342,136	$ (7,081,779)	-74.3%	$ 3,187,652	50.3%
Capital assets, net	3,683,682	315,933	422,815	3,367,749	1066.0%	(106,882)	-25.3%
Total assets	6,131,691	9,845,721	6,764,951	(3,714,030)	-37.7%	3,080,770	45.5%
Deferred outflows	1,274,456	773,325	537,056	501,131	64.8%	236,269	44.0%
Total assets and deferred outflows	$ 7,406,147	$ 10,619,046	$ 7,302,007	$ (3,212,899)	-30.3%	$ 3,317,039	45.4%
Liabilities							
Current liabilities	$ 2,278,160	$ 5,349,952	$ 2,135,209	$ (3,071,792)	-57.4%	$ 3,214,743	150.6%
Non-current liabilities	6,796,105	4,161,022	3,308,817	2,635,083	63.3%	852,205	25.8%
Total liabilities	9,074,265	9,510,974	5,444,026	(436,709)	-4.6%	4,066,948	74.7%
Deferred inlows	387,256	291,716	459,333	95,540	32.8%	(167,617)	-36.5%
Net position							
Net invested in capital assets	3,683,682	315,933	422,815	3,367,749	1066.0%	(106,882)	-25.3%
Unrestricted	(5,739,056)	500,423	975,833	(6,239,479)	-1246.8%	(475,410)	-48.7%
Total net position	(2,055,374)	816,356	1,398,648	(2,871,730)	-351.8%	(582,292)	-41.6%
Total liabilities, deferred inflows, and net position	$ 7,406,147	$ 10,619,046	$ 7,302,007	$ (3,212,899)	-30.3%	$ 3,317,039	45.4%

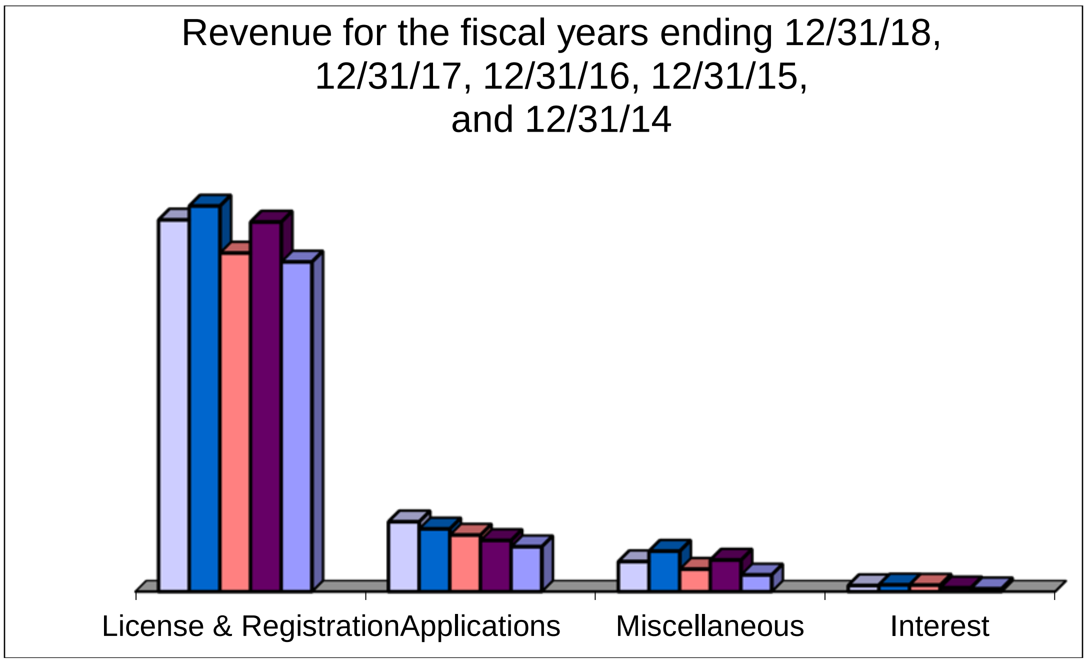
Schedule 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

			2018 vs 2017	
	2018	2017	$	%
Revenue				
Operating revenue	$ 4,655,478	$ 4,826,469	$ (170,991)	-3.5%
Other income	48,065	66,248	(18,183)	-27.4%
Total revenue	4,703,543	4,892,717	(189,174)	-3.9%
Expenses				
Personnel	4,004,156	3,397,072	607,084	17.9%
Travel and operations	1,588,192	1,821,530	(233,338)	-12.8%
Total expenses	5,592,348	5,218,602	373,746	7.2%
Change in Net Position	(888,805)	(325,885)	(562,920)	-172.7%
Net Position, Beginning, As Restated	(1,166,569)	1,142,241	(2,308,810)	-202.1%
Net Position, Ending	$ (2,055,374)	$ 816,356	$ (2,871,730)	-351.8%

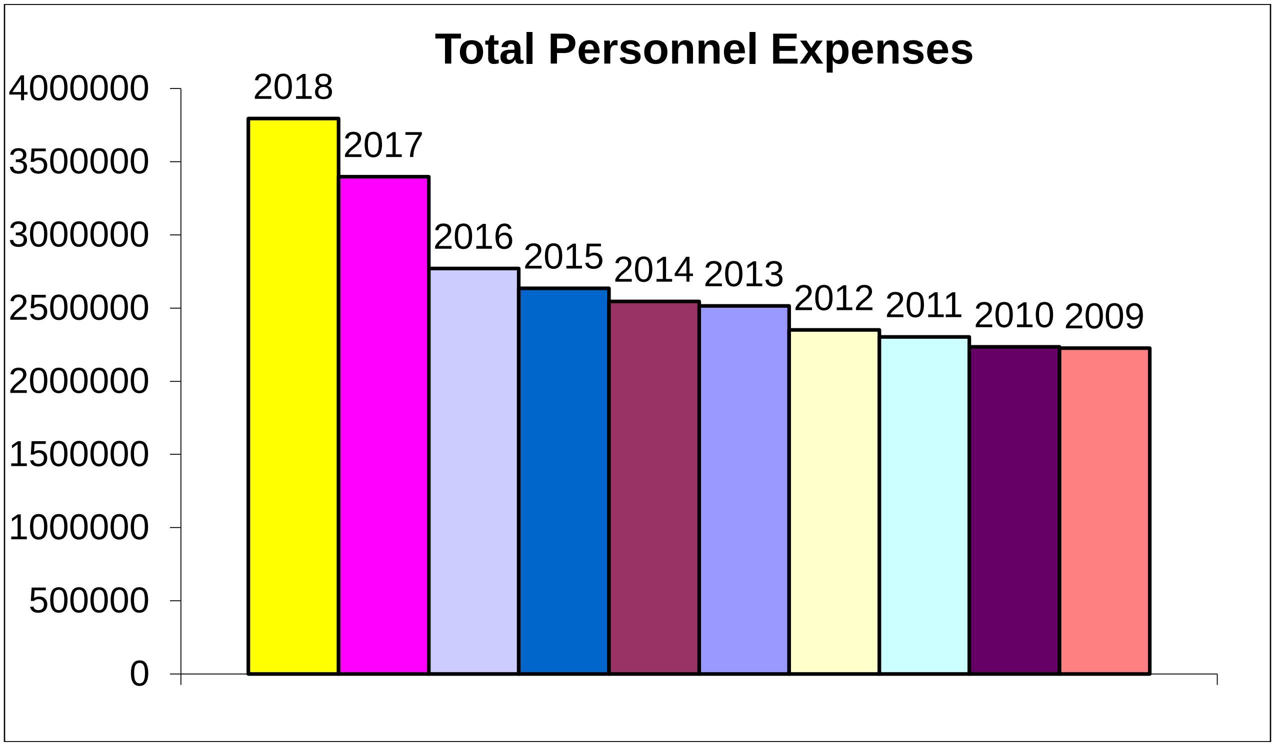
Financial Analysis of the Board's Activities

Provided below are some of the significant changes in the Board's revenue and expenses for each year.

Revenue:
The Board attributes the continued growth in revenue to the increase in number of medical providers in the state offset by a reduction in fees during the previous renewal period. The peaks and valleys in miscellaneous and application income are attributed to licensing renewal periods that exist in odd numbered years.



Expenses:
Personnel expenses represent the biggest expenditure for the Organization. From 2008 through 2011, personnel costs were maintained at unusually low levels through attrition and redistribution of work flow due to uncertain economic conditions. Starting In 2011, additional attorney positions were created and benefit costs continued to escalate. In 2013-2018 the Board approved cost of living adjustments. In 2017 and 2018, the increases were also the result of additional program positions to accommodate the expanded licensing base and increases in pension and OPEB expenses associated with the implementation of GASB statements. The trend demonstrates the overall positive cost containment efforts of management. Until 2017, the total dollar figures were less than levels experienced through 2007 while continuing to service a much larger licensee population.



The total expenses for the Board were up by $373,746 from 2017. The licensee population continues to grow, and the Board has expanded its staff to include medical reviewers. Total expenses were $359,948 over budget for 2018, primarily due to the implementation of GASB Statement No. 75 and changes in the benefit plans' actuarial valuations.

Budgetary Highlights

Schedule 3 presents the total revenue and expense variances with the final budget for the years ended December 31, 2018 and 2017.

Schedule 3 - Favorable (Unfavorable) Budget Variances

	2018	2017
Revenue		
Operating revenues	$ 128,278	$ 54,869
Other income	(13,935)	16,248
Total revenue	$ 114,343	$ 71,117
Expenses		
Personnel	$ (230,856)	$ 116,728
Travel and operations	(129,092)	(304,430)
Total expenses	$ (359,948)	$ (187,702)
Net	$ (245,605)	$ (116,585)

Assets	
Current assets	
Cash and cash equivalents	$ 1,641,161
Investments	720,000
Compliance fees receivable, net	44,587
Fines receivable	24,500
Prepaid expense	17,761
Total current assets	2,448,009
Noncurrent assets	
Capital assets, not being depreciated	549,720
Capital assets, net of accumulated depreciation	3,133,962
Total assets	6,131,691
Deferred Outflows of Resources	
Deferred outflows related to pensions	1,240,931
Deferred outflows related to OPEB	33,525
Total deferred outflows of resources	1,274,456
Total assets and deferred outflows of resources	7,406,147
Liabilities	
Current liabilities	
Accounts payable	69,777
Accrued payroll	88,744
Licensing fees received in advance	2,011,870
Fines payable	24,500
Noncurrent liabilities due within one year	83,269
Total current liabilities	2,278,160
Noncurrent liabilities	
Due in more than one year	91,397
Net pension liability	4,829,089
Net OPEB liabilities	1,875,619
Total noncurrent liabilities	6,796,105
Total liabilities	9,074,265
Deferred Inflows of Resources	
Deferred inflows related to pensions	261,492
Deferred inflows related to OPEB	125,764
Total deferred inflows of resources	387,256
Total liabilities and deferred inflows of resources	9,461,521
Net Position	
Net investment in capital assets	3,683,682
Unrestricted	(5,739,056)
Total net position	$ (2,055,374)

Operating Revenue	
License and registration fees	$ 3,667,828
Application fees	690,800
Compliance administration reimbursements	93,658
Miscellaneous revenue	203,192
Total operating revenue	4,655,478
Operating Expenses	
Personnel services	4,004,156
Travel	76,095
Operations	1,370,194
Depreciation	141,903
Total operating expenses	5,592,348
Operating Loss	(936,870)
Nonoperating Revenue (Expenses)	
Investment income	59,674
Interest expense	(11,609)
Total nonoperating revenue (expenses)	48,065
Change in net position	(888,805)
Net Position	
Beginning of year, as previously reported	816,356
Prior period adjustments	
Change in accounting principle (Note 10) for implementation of GASB No. 75	(1,737,386)
Correction of Error (Note 10)	(245,539)
Beginning of year, as restated	(1,166,569)
End of year	$ (2,055,374)

Operating Activities	
Cash received from operations	$ 1,599,015
Cash paid for personnel services	(3,680,193)
Cash paid for travel and operating expenses	(1,536,198)
Net Cash Used in Operating Activities	(3,617,376)
Capital and Related Financing Activities	
Cash paid for interest to acquire capital assets	(11,609)
Acquisition of capital assets	(3,509,652)
Net Cash Used in Capital and Related Financing Activities	(3,521,261)
Investing Activities	
Investment income / net cash	
Maturities of certificates of deposit	2,640,000
provided by investment activities	59,674
Net Cash Provided by Investing Activities	2,699,674
Net Change in Cash and Cash Equivalents	(4,438,963)
Cash and Cash Equivalents, as Restated	6,080,124
Cash and Cash Equivalents, End of Year	$ 1,641,161
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities	
Operating loss	$ (936,870)
Adjustments to reconcile change in net position to net cash flows from operating activities	
Depreciation	141,903
Change in net pension liability, deferred outflows, and deferred inflows of resources	342,077
Changes in certain assets and liabilities	
Compliance fees receivable, net	22,067
Prepaid expense	(3,251)
Accounts payable	(86,658)
Accrued compensated absences and other payroll liabilities and other payroll liabilities	(18,114)
Licensing fees received in advance	(3,078,530)
Net Cash Used in Operating Activities	$ (3,617,376)

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The Nevada State Board of Medical Examiners (Board) created in 1899, is the licensing and regulatory agency for the physicians, physicians' assistants, respiratory therapists, and perfusionists in the State of Nevada. The Board is regulated by the Nevada Revised Statutes (NRS) Chapter 630, which also specify the authorized activities of the Board.

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

The following is a summary of the more significant accounting policies.

Reporting Entity

Effective July 1, 2001, NRS Chapter 353 was amended to exempt certain professional and occupational boards from the state budget act and the provisions governing the administration of state funding. The provisions of Chapter 353 do not apply to boards created pursuant to chapters 623 to 625A, inclusive, 628, 630 to 640A inclusive, 641 and 656 of the NRS and the officers and employees thereof. Accordingly, the Board's budgeting and accounting practices and procedures have been removed from the oversight of the Department of Administration.

The Board's financial statements are not included in the financial statements of the State of Nevada since the State does not exercise financial or administrative control over the Board. This is in conformance with GASB codification Section 2100, *Defining the Government Reporting Entity*.

Basis of Accounting

The Board maintains its accounting records on an economic resources measurement focus using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the related liabilities are incurred.

Operating income reported in the financial statements includes revenue and expenses related to the primary, continuing operations of the Board. The primary sources of revenue are licensing, registration and application fees from physicians, physicians for non-compliance with the regulation and fees charged for criminal background checks, copy requests, letters of verification, physician listings, label request and legal fee recoveries. Operating expenses included administrative costs and depreciation of capital assets. Interest income earned from the Board's investing activities is presented as non-operating revenue.

Implementation of GASB Statement No. 75

As of January 1, 2018, the Nevada State Board of Medical Examiners adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by* Employers for Postemployment Benefits Other Than Pensions, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the Net OPEB Liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 10 and the additional disclosures required by this standard is included in Note 7.

Basis of Presentation

The Board uses a proprietary fund to account for its financial position and results of operations. Proprietary fund types are used to account for activities conducted on a fee-for-service basis in a manner similar to commercial enterprises. The 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.

Budget Data

The Board adopts biennial operating budgets and budgetary accounting is employed as a management control. The budget is prepared using accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash equivalents consist of money market funds and certificates of deposit with original maturities of three months or less. For purposes of the statement of cash flows, the beginning cash balance was restated to exclude certificates of deposit that did not meet the criteria for cash equivalents.

Cash and cash equivalents are maintained in a commercial bank in Reno, Nevada. Cash and cash equivalents are maintained and available to meet current operating requirements and are readily identifiable. By statutes, all cash must be deposited in entities that are located in the state of Nevada.

Compliance Fees Receivable

Compliance fees receivable consist of reimbursable administrative costs for processing claims and are assessed in accordance with the applicable NRS and Board policies. The allowance for uncollectible receivables is based upon management's assessment of historical trends and the periodic aging of the compliance fees receivable. The allowance for uncollectible receivables as of December 31, 2018 and 2017 totaled $875.

Capital Assets

Property and equipment purchased by the Board are presented in the statement of net position as capital assets. Capital assets are defined by the Board as assets with an initial, individual cost of $500 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Capital assets are depreciated using the straight-line method over the estimated useful lives of 3-10 years for furniture and equipment and up to 40 years for buildings.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed the accounts, and any resulting gain or loss is recognized in income for the period.

Accrued Compensated Absences

Vacation leave is earned by employees at rates dependent on length of employment. The Board's policy is to provide for the annual carryover of up to 240 hours earned vacation leave which is fully vested when earned. The Board recognizes the expenses and liability for compensated absences as the leave is earned. Sick days and other accumulated paid absences are not vested and, therefore, it is the Board's policy to recognize the costs for sick days and other absences when paid.

Revenue Recognition and Licensing Fees Received in Advance

The Board's revenue is derived from fees charged to medical professionals for licensure, assessments for compliance reimbursements, and credit card convenience fees. By provisions of statute, the Board administers its licensing registration on biennial periods. Licensing fees received in advance represents collections received upon the biennial renewal of licenses and is recognized ratably over the renewal period, currently July 1, 2017 through June 30, 2019. Other fees such as application fees, background checks, administrative fees and credit card convenience fees are recognized and collected at the time of service. Assessments for compliance reimbursements are recognized upon settlement of disciplinary action when the amount is determinable and collectability is reasonably assured.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board recognizes deferred outflows of resources as they relate to the net pension and OPEB liability. In addition to liabilities, the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board recognizes deferred inflow of resources as they relate to the net pension and OPEB liability.

Net Position

Equity is classified as net position and displayed in these components:

- Net investment in capital assets – cost of capital assets net of accumulated depreciation and related debt, if any.
- Restricted net position – Net position subject to restrictions that are imposed by (1) external groups, such as creditors or laws and regulations of other governments, or (2) the law through legislative provisions. The Board has no restricted net position.
- Unrestricted net position – Net positions that are neither classified as "restricted" or as "invested in capital assets."

Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows/inflows of resources, and benefit expenses, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and Public Employees' Benefit Program (PEBP) and additions to/deductions from PERS's and PEBP's fiduciary net positions have been determined on the same basis as they are reported by PERS and PEBP, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at 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 - Cash and Investments

Investment Policy – Concentration of Credit Risk

The Board maintains its checking accounts, money market funds, and certificates of deposit in commercial banks located in Nevada. Custodial credit risk is the risk that in the event of a bank or brokerage failure, the Board's deposits may not be returned. The time certificates of deposit are held in the name of the Board. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in the aggregate per bank for the checking accounts and $250,000 for the time deposits. In addition, the bank balances are collateralized with securities held by the Nevada Pooled Collateral program.

By provisions of statutes, the Board is required to deposit all money in banks or savings and loans associations located in the state of Nevada. Cash and cash equivalents reported in the statement of net position include cash totaling $423,914 and money market funds totaling $1,217,247. The bank balances at December 31, 2018 totaled $1,714,586.

The Board manages its risk exposure to changes in interest rates by investing in certificates of deposit with maturities of two years or less. All certificates of deposit at December 31, 2018 have maturities less than one year and, therefore, are included in current assets. Certificates of deposit are each less than $250,000 and total $720,000 at December 31, 2018. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the certificates of deposits. The certificates of deposit are held in the Board's name and it participates in the State of Nevada collateralization program to assure that funds deposited are protected. The certificates of deposit are stated as investments at cost, which approximates fair value, as the Board has the ability and intent to hold the certificates of deposit to maturity.

Note 3 - Capital Assets

The Board has custodial responsibility to the State of Nevada for furniture, fixtures and equipment acquired with resources of the Board. The capital asset activity during the year is as follows:

	December 31, 2017	Additions	Deletions	December 31, 2018
Capital assets, not being depreciated				
Land	$ -	$ 549,720	$ -	$ 549,720
Capital assets, being depreciated				
Building	-	2,907,958	-	2,907,958
Furniture and equipment	381,823	48,744	-	430,567
Leasehold improvements	88,778	-	(88,778)	-
Computers, software, and printers	609,137	3,230	-	612,367
Total capital assets, being depreciated	1,079,738	2,959,932	(88,778)	3,950,892
Less accumulated depreciation				
Building	-	48,023	-	48,023
Furniture and equipment	247,623	31,430	-	279,053
Leasehold improvements	87,162	1,616	(88,778)	-
Computers, software, and printers	429,020	60,834	-	489,854
Total accumulated depreciation	763,805	141,903	(88,778)	816,930
Total capital assets, being depreciated, net	315,933	2,818,029	-	3,133,962
Capital assets, net	$ 315,933	$ 3,367,749	$ -	$ 3,683,682

Note 4 - Long-Term Obligations Activity

Following is a summary of the change in long-term obligations, other than the net pension and other postemployment benefits liabilities:

	Balance January 1, 2018	Additions	Deletions	December 31, 2018	Current Portion
Compensated absences	$ 186,907	$ 95,496	$ (107,737)	$ 174,666	$ 83,269

Note 5 - Lease Obligations

The Board currently leases office space in Las Vegas, Nevada under an agreement expiring April 30, 2020. The lease agreement for office space in Reno, Nevada was terminated upon the purchase of the building in May 2018. Rent expense under these leases for the year ended December 31, 2018 and 2017 totals $147,548.

The following is a schedule of future minimum rental payments:

Year ending December 31,		
2019	$	42,966
2020		14,444

Note 6 - Pensions

Plan Description

The Board contributes to the Public Employees' Retirement System of the State of Nevada (PERS), which administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability

Benefits Provided

a) Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010 and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

b) Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier and for members entering PERS on or after July 1, 2015 there is a 2.25% factor. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

c) Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

a) Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering PERS on or after January 1,2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Members who entered PERS on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

b) The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

Contributions

a) The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions and the other plan provides for employer-pay only.

b) PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

c) PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

d) The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

e) For the fiscal years ended June 30, 2017 and 2018 the Statutory Employer/employee matching rate was 14.50%. The Employer-pay contribution (EPC) rate was 28%.

f) For the year ended December 31, 2018, the Board contributed $677,959 under the statutory requirements based on covered payroll of $2,530,095 which equates to 26.80% overall to the plan.

PERS Investment Policy

PERS's policies are established by the PERS Board to determine the investment portfolio target asset allocation. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of PERS.

The following was the PERS Board's adopted policy target asset allocation as of June 30, 2018:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

*As of June 30, 2018, PERS' long-term inflation assumption was 2.75%.

Net Pension Liability

At December 31, 2018, the Board reported a liability of $4,829,089 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on its combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2018. At June 30, 2018, the Board's proportion was .03541%, which is an increase of .01126% from the proportion measured as of June 30, 2017.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability / (asset)	$ 7,364,165	$ 4,829,089	$ 2,722,588

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions

The Board's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Productivity pay increase	0.50%
Projected salary increases	4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer price index	2.75%
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuation

Mortality rates for healthy individuals were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50, mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50. The mortality rates are then projected to 2020 with Scale MP-2016. Mortality rates for disabled individuals were based on the Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years. Mortality rates for pre-retirement individuals were based on the Headcount-Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016. The additional projection of 6 years is a provision made for future mortality improvement.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2017.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan’s fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the Board recognized pension expense of $694,638.

At December 31, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 151,282	$ 224,153
Change of assumptions	254,462	-
Net difference between projected and actual investment earnings on pension plan investments	-	22,992
Changes in proportion and differences between employer contributions and proportionate share of contributions	641,585	14,347
Contributions subsequent to the measurement date	193,602	-
Total	$ 1,240,931	$ 261,492

Included in deferred outflows of resources is $193,602 related to pensions resulting from employer contributions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in year ended December 31, 2019.

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflows and deferred inflows will be recognized over the average expected remaining services lives, which was 6.22 years for the measurement period ending June 30, 2018. The net amounts are expected to be recognized in pension expense as follows:

Year ending December 31,	
2019	$ 590,178
2020	215,649
2021	(326,279)
2022	132,195
2023	149,674
2024	24,420
	$ 785,837

Additional Information

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

Note 7 - Other Postemployment Benefit Obligation

The Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* was replaced by Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* with required implementation for plan fiscal years beginning after June 15, 2017. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The Board recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Board's future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

Plan Description and Eligibility

Employees of the Board are provided with OPEB through the Self Insurance Trust Fund, Public Employees' Benefits Program (PEBP) - a cost-sharing multiple employer defined benefit OPEB plan administered by the Public Employees' Benefits Program Board (PEBP Board) which was created in 1983 by the Nevada Legislature to administer group health, life and disability insurance for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. PEBP does not provide for refunds of employee contributions. The Self Insurance Trust Fund issues a publicly available financial report that can be obtained at https://pebp.state.nv.us/. The Board is reporting plan information consistently with the PEBP's accounting methods and assumptions as disclosed in the annual report. No information has come to our attention that indicates significant changes to the plan's disclosures.

Benefits Provided and Contributions

The plan provides medical, dental, vision, long-term disability, accidental death and dismemberment, and life insurance benefits to eligible retired employees.

Legislation affords public employees of the state of Nevada (State) the opportunity to enroll, upon their retirement, in the Public Employees Benefit Program (PEBP) health insurance plan. The legislation obligates the State for a portion of the medical premiums for those retired employees who elect to enroll in the PEBP health insurance plan and retired prior to October 1, 2010 at a rate that is based upon years of service prior to retirement. For employees that retired between October 1, 2010 and September 30, 2012, the State's obligation for a portion of the medical premiums is dependent upon the PERS eligibility requirements in effect at the time of retirement. Employees that retire after October 1, 2012 may elect to enroll in the PEBP health insurance plan, but the State is not obligated for any portion of their premiums. There are currently twelve retired employees participating in this plan. The Board has not been billed directly for its cost of this post employment retirement benefit. However, the State is charging an annual fee to the Board based on a rate determined by the State and the budgeted salaries of the Board. During the year ended December 31, 2018, the Board paid the State $58,267 for this additional fee for post-employment retirement benefits. This annual cost is expected to continue and possibly increase based on future decisions by the State to allocate post-employment retirement benefits to the

Board's employees. Representatives of PEBP's have indicated that the post-employment benefit liability is at the PEBP's level and the Board merely pays its annual required contribution based on the fees charged by the State.

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

At December 31, 2018, the Board reported a liability of $1,875,619 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating state agencies, actuarially determined. At June 30, 2018, the Board's proportion was 0.1416%.

For the year ended December 31, 2018, the Board recognized OPEB expense of $99,796. At December 31, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ -	$ 125,531
Net difference between projected and actual earnings on OPEB plan investments	-	233
Contributions subsequent to the measurement date	33,525	-
Total	$ 33,525	$ 125,764

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	Amount
2019	$ (41,295)
2020	(41,295)
2021	(34,627)
2022	(8,547)
	$ (125,764)

Actuarial Assumptions

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	0.50% productivity pay increase, 2.73% average promotional and merit salary increase
Invesment rate of return	3.87%
Healthcare cost trend rates	7.0% initial, 4.50% ultimate

Mortality rates were based on the RP-2000 Combined Mortality projected to 2014 with Scale AA, set back one year for females. Disabled Mortality rates were based on the RP-2000 Disabled Retiree Mortality projected to 2014 with Scale AA, set forward three years.

The actuarial assumptions used in the June 30, 2018 valuation were based upon certain demographic and other actuarial assumptions as recommended by the actuary, in conjunction with the State and guidance from the GASB statement.

Discount Rate

The discount rate basis under GASB 75 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate.

The discount rate as of July 1, 2018 is 3.58%. Additional detail regarding the discount rate as of June 30, 2018 is provided in the “Actuarial Assumptions and Methods” section of the report proved by the PEBP Board.

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability / (asset)	$ 206,660	$ 1,875,619	$ 1,709,641

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Health Care Cost Trend Rates		
	1% Decrease Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase Healthcare Cost Trend Rate
Net OPEB liability / (asset)	$ 1,749,517	$ 1,875,619	$ 2,024,490

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

Note 8 - Disciplinary Proceedings and Contingencies

In connection with the Board's enforcement program as prescribed by statute and regulation, it may seek recovery from licensees for costs incurred related to the investigative and disciplinary actions taken by the Board. Judgments made by the Board for the years ended December 31, 2018 and 2017 included stipulations for cost recoveries of $93,658 and $104,323, respectively. These recovery amounts are presented as part of operating revenue.

In addition, the Board is authorized to impose an administrative fine. The Board acts as an agent for the State of Nevada with respect to the administrative fine; thus, fines collected by the Board are remitted to the State of Nevada. Judgments made by the Board for the years ended December 31, 2018 and 2017 included stipulations for administrative fines of $29,700 and $6,808, respectively.

Certain claims, suits and complaints associated with the Board's ordinary course of business are pending or may arise. The Board believes the cases are without merit and intends to vigorously defend its positions. Accordingly, these financial statements do not include a liability for amounts that may arise from these cases.

Note 9 - Compliance with Nevada Revised Statutes and Nevada Administrative Code

The Board conformed to all significant statutory constraints on its financial administration during the year ended December 31, 2018.

Note 10 - New Accounting Pronouncement, Error Correction and Prior Period Adjustments

As of January 1, 2018, the Board adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information.

During 2018 the Board became aware that the utilization of the prior year actuarial valuation reports utilized to determine the net pension liability and related deferred outflows of resources and deferred inflows of resources was not appropriate as the reports were prepared based upon a measurement date more than one year prior to the financial statement date. Accordingly, the Board adjusted net position at January 1, 2018 to reflect the pension allocation reports as of the June 30, 2017 measurement date.

Beginning net position was restated to adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability and correct the error related to pension liabilities as follows:

Net position at December 31, 2017, as previously reported	$ 816,356
Add net OPEB liability and related deferrals under GASB Statement No. 75	(1,737,386)
Adjust net pension liabilties and related deferred outflows and deferred inflows of resources	(245,539)
Net position at January 1, 2018, as restated	$ (1,166,569)

In addition to the restatement of beginning net position, the Board reclassified certain certificates of deposit, totaling $3,360,000 that did not meet the definition of cash equivalents to an investment. As a result of this reclassification, beginning cash and cash equivalents on the statement of cash flows decreased from $9,440,124 to $6,080,124.

Required Supplementary Information
December 31, 2018

Nevada State Board of Medical Examiners

Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.03541%	0.02415%	0.02953%	0.02887%	0.02916%
Proportionate share of the net pension liability	$ 4,829,089	$ 4,282,949	$ 3,974,115	$ 3,308,817	$ 3,038,555
Covered payroll	$ 2,442,373	$ 2,104,351	$ 1,877,749	$ 1,792,698	$ 1,725,514
Proportionate share of the net pension liability as a percentage of its covered payroll	197.72%	203.53%	211.64%	184.57%	176.10%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	74.40%	72.20%	75.10%	76.31%

Schedule of Contributions
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contributions	$ 677,959	$ 617,533	$ 520,461	$ 452,621	$ 419,576
Contributions in relation to contractually required contributions	$ (677,959)	$ (617,533)	$ (520,461)	$ (452,621)	$ (419,576)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered employee payroll	$ 2,530,095	$ 2,192,686	$ 1,877,892	$ 1,765,776	$ 1,736,220
Contributions as a percentage of covered payroll	26.80%	28.16%	27.72%	25.63%	24.17%

*GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year tend is compiled, the Board will present information for those years for which information is available.

Schedule of Changes in Other Postemployment Benefits Liability
Last Ten Fiscal Years

	2018
Proportion of the net OPEB liability	0.1416%
Proportionate share of the net OPEB liability	$ 1,875,619
Covered payroll	$ 2,442,373
Proportionate share of the net OPEB liability as a percentage of covered payroll	76.79%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%

Schedule of Contributions
Last Ten Fiscal Years

	2018
Contractually required contributions	$ 58,267
Contributions in relation to the contractually required contribution	(58,267)
Contribution deficiency (excess)	$ -
Board's covered payroll	$ 2,486,280
Contributions as a percentage of covered payroll	2.34%

*GASB Statement No. 75 requires ten years of information to be presented in these tables. However, until a full 10-year tend is compiled, the Board will present information for those years for which information is available.

Supplementary Information
December 31, 2018

Nevada State Board of Medical Examiners

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Nevada State Board of Medical Examiners

Statement of Revenue and Expenses – Budget and Actual

Year Ended December 31, 2018

(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018			2017
	Original and Final Budget	Actual Amounts Budgetary Basis	Final Budget to Actual Variance	Actual Amounts (Memorandum Only)
Operating Revenue				
Fines and fees				
License and registration fees	$ 3,688,200	3,667,828	$ (20,372)	$ 3,805,311
Application fees	588,000	690,800	102,800	620,650
Reimbursements	65,300	93,658	28,358	104,323
Miscellaneous revenue	185,700	203,192	17,492	296,185
Total operating revenue	4,527,200	4,655,478	128,278	4,826,469
Operating Expenses				
Personnel services				
Staff	2,602,400	2,503,754	98,646	2,251,727
Board members	14,000	14,100	(100)	14,400
Taxes	64,600	72,075	(7,475)	70,926
Retirement program	658,300	719,870	(61,570)	570,628
Employee health insurance	434,000	684,718	(250,718)	424,210
Temporary employment	-	9,639	(9,639)	65,181
	3,773,300	4,004,156	(230,856)	3,397,072
Travel	77,200	76,095	1,105	77,698
Operations				
Audit	12,000	12,000	-	12,000
Bad debt expense	-	15,681	(15,681)	7,120
Bank charges	24,500	29,227	(4,727)	165,997
Background investigation	45,300	51,004	(5,704)	47,872
Education and training	5,500	7,204	(1,704)	4,527
Depreciation	145,700	141,903	3,797	131,748
Document imaging	14,700	14,966	(266)	29,453
Dues and registration	3,900	4,500	(600)	4,013
Equipment maintenance	47,100	65,788	(18,688)	37,746
Equipment rental	13,800	16,582	(2,782)	17,469
Hearing officers	30,000	22,947	7,053	42,953
Host fund	13,100	9,888	3,212	9,437
Insurance	4,600	4,465	135	4,147
Investigation	260,700	261,658	(958)	403,613
Legal	265,000	312,007	(47,007)	257,771
Licensing expense	1,400	3,652	(2,252)	3,280
Lobbying - public outreach	30,000	21,938	8,062	36,946
Office rent	145,600	147,548	(1,948)	173,657
Office supplies	150,100	183,342	(33,242)	116,643
Postage	35,000	34,640	360	55,467
Printing and copying	13,500	10,240	3,260	13,383
Telephone	34,800	37,047	(2,247)	33,367
Web hosting fees	85,600	103,870	(18,270)	135,223
	1,381,900	1,512,097	(130,197)	1,743,832
Total operating expenses	5,232,400	5,592,348	(359,948)	5,218,602
Operating Loss	(705,200)	(936,870)	(231,670)	(392,133)
Nonoperating Revenue (Expenses)				
Investment income	62,000	59,674	(2,326)	66,248
Interest expense	-	(11,609)	(11,609)	-
Change in net position	$ (643,200)	$ (888,805)	$ (245,605)	$ (325,885)

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board
Nevada State Board of Medical Examiners
Reno, Nevada

We have audited, 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 financial statements of the Nevada State Board of Medical Examiners (Board), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nevada State Board of Medical Examiners' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nevada State Board of Medical Examiners' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2018-001 that we consider to be a material weakness.

5441 Kietzke Ln., Ste. 150 | Reno, NV 89511-2094 | T 775.689.9100 | F 775.689.9299 | EOE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nevada State Board of Medical Examiners' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's Response to Finding

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Reno, Nevada
November 26, 2019

2018-001 Restatements, Including Reporting of Pension and Other Postemployment Benefit Plan Obligations

Material Weakness

Criteria: A key component of an effective system of internal control over financial reporting is evaluating the amounts and disclosures in the financial statements in accordance with applicable standards.

Condition: As indicated in Note 10 to the financial statements, there were restatements recorded to the Board's financial statements. Most significantly, the net pension and other postemployment liabilities and related deferred outflows of resources, deferred inflows of resources, and plan expenses were recorded based on allocation reports with measurement dates more than one year prior to the financial statement date. GASB statements 68 and 75 require amounts to be recorded based on a measurement date within one year of the financial statement date.

Cause: There was a misinterpretation of the standards. Furthermore, the plans' allocation reports based on measurement dates within one year of the Board's annual financial statement date are generally not available until at least 6 months after year-end.

Effect: The financial statements required adjustment to be presented in accordance with generally accepted accounting principles. In addition to the reclassification of cash and cash equivalents, the Board's financial statements required adjustment to reflect the allocation information based upon 2018 measurement dates. Although the impact of the adjustments is material to the financial statements, future liabilities related to the net pension and other postemployment benefit liabilities will be paid by the respective plans. The impact to future retirement obligations is determined on a biennial basis by the State legislature when it establishes annual rates based on covered payroll. Accordingly, these adjustments have no impact to the operating activities of the Board and its budget.

Recommendation: We recommend that management delay the issuance of the audit, as occurred in the current year, until the updated employer allocation and audit reports that are necessary for proper reporting are made available. In addition, financial statement amounts and disclosures should be continuously re-evaluated based upon current accounting standards.

Views of Responsible Officials: Management agrees with this finding.