

**STATE OF NEVADA**

**Single Audit Report  
For the Year Ended  
June 30, 2009**

STATE OF NEVADA

SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

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**KAFOURY, ARMSTRONG & CO.**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

The Honorable Kim Wallin, CMA, CFM, CPA  
State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2009, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit:

#### Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 54.5 percent of the assets, 22.1 percent of the net assets and 5.1 percent of the revenues of the business-type activities;
- the financial statements of the Nevada System of Higher Education and the Colorado River Commission, both of which are discretely presented component units.

#### Fund Financial Statements

- the financial statements of the Housing Division Enterprise Fund;
- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds, which represent less than one percent of the assets and net assets and fund balances of the aggregate remaining fund information;
- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, which in the aggregate represent 73.6 percent of the assets and 74.9 percent of the net assets and fund balances of the aggregate remaining fund information;
- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represents 15.9 percent of the assets and 18.2 percent of the net assets and fund balance of the aggregate remaining fund information;
- the financial statements of the Retirement Benefits Investment Fund, which represent less than one percent of the assets and net assets and fund balances of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is based on the reports of the other auditors.

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 of material misstatement. The financial statements of the Higher Education Tuition Trust Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees’ Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2009, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2010 on our consideration of the State of Nevada’s 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management’s discussion and analysis on pages 3 through 13, the budgetary comparison schedule, the notes to required supplementary information-budgetary reporting, the schedule of funding progress and the schedule of infrastructure condition and maintenance data, collectively on pages 65 through 69, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nevada’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. As discussed in Note 1 to the Schedule of Expenditures of Federal Awards on page 106, the Federal award programs of the Nevada System of Higher Education are not included in the accompanying Schedule of Expenditures of Federal Awards. Federal award programs of the Nevada System of Higher Education will be reported on separately.

*Kafoury, Armstrong & Co.*

Reno, Nevada  
January 26, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the additional information furnished in the letter of transmittal.

### HIGHLIGHTS

#### Government-wide:

*Net Assets* – The assets of the State exceeded its liabilities at the close of the fiscal year ended June 30, 2009 by \$4.8 billion (reported as *net assets*). Of the \$4.8 billion in net assets, \$1.5 billion was restricted and not available to meet the State's general obligations. Also unavailable to meet the State's general obligations is the \$3.5 billion invested in capital assets, net of related debt.

*Changes in Net Assets* – The State's total net assets decreased by \$1 billion in fiscal year 2009. Net assets of governmental activities decreased by \$550 million (a 12.2% decrease) and net assets of the business-type activities decreased by \$494 million (a 37.7% decrease).

#### Fund-level:

At the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$1.6 billion, a decrease of \$520.9 million from the prior year. Of this amount, \$649.7 million represents the *unreserved fund balance*.

The State's enterprise funds reported combined ending net assets of \$817.3 million, a decrease of \$493.9 million from the prior year, attributable primarily to a decrease to the Unemployment Compensation fund. Of this amount, \$5.3 million represents a deficit in *unrestricted net assets*.

The State's fiduciary funds reported combined ending net assets of \$24.4 billion, a decrease of \$3.8 billion from the prior year. This decrease is due primarily to the change in the fair value of investments in the Pension Trust Funds.

#### Long-term Debt (government-wide):

The net increase in the State's long-term debt obligations was \$156.4 million (a 3.8% increase) during the current fiscal year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Nevada's basic financial statements which is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Comprehensive Annual Financial Report also contains other supplementary information in addition to the basic financial statements.

#### Government-wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the State of Nevada's finances in a manner similar to the private sector. They take into account all revenues and expenses connected with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The *statement of net assets* presents *all* of the State's assets and liabilities, with the difference between the two reported as "net assets." The statement combines and consolidates all of the State's current financial resources with capital assets and long-term obligations. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the State's net assets changed during the most recent fiscal year. The statement reveals how much it costs the State to provide its various services, and whether the services cover their own costs through user fees, charges, grants, or are financed with taxes and other general revenues. All changes in net assets are reported

as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements above report three types of activities:

*Governmental Activities* – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education and support services, law, justice and public safety, regulation of business, transportation, recreation and resource development, intergovernmental, interest on long-term debt and unallocated depreciation.

*Business-type Activities* – These activities are intended to recover all, or a significant portion, of the costs of the activities by charging fees to customers. The Housing Division and Unemployment Compensation are examples of the State's business-type activities.

*Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the government are financially accountable or have significant influence in governing board appointments. The State has two discretely presented component units – the Nevada System of Higher Education and the Colorado River Commission. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

#### **Fund Financial Statements:**

A fund is an accounting entity consisting of a set of self-balancing accounts to track funding sources and spending for a particular purpose. The State's funds are broken down into three types:

*Governmental funds* – Most of the State's basic services are reported in governmental funds. These funds focus on short-term inflows and outflows of expendable resources as well as balances left at the end of the fiscal year available to finance future activities. These funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The governmental fund financial statements focus on major funds and provide additional information that is not provided in the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation is provided between the governmental fund statements and the governmental activities in the government-wide financial statements.

*Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers (enterprise funds) or to other State agencies (internal service funds), the services are generally reported in the proprietary funds. Proprietary funds apply the accrual basis of accounting utilized by private sector businesses, and there is a reconciliation between the government-wide financial statement business-type activities and the enterprise fund financial statements. Because internal service fund operations primarily benefit governmental funds, they are included with the governmental activities in the government-wide financial statements.

*Fiduciary funds* – These funds are used to account for resources held for the benefit of parties outside the state government. For instance, the State acts as a trustee or fiduciary for its employee pension plans, and it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are reported using the accrual basis of accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

#### **Notes to the Financial Statements:**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

#### **Required Supplementary Information:**

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds, along with notes and a reconciliation of the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end. This section also includes a schedule of funding progress for certain pension trust funds and a schedule of infrastructure condition and maintenance data.

**Other Supplementary Information:**

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service and all fiduciary funds. The non-major funds are added together, by fund type, and presented in single columns in the basic financial statements. Other supplementary information also contains budgetary schedules of total uses for the General Fund and special revenue fund budgets, as well as a schedule of sources for non-major special revenue fund budgets.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The State's overall financial position and operations for the fiscal years ended June 30, 2009 and 2008 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009-2008</b>
<b>Assets</b>							
Current and other assets	\$ 3,390,666	\$ 4,807,537	\$ 2,040,393	\$ 2,502,646	\$ 5,431,059	\$ 7,310,183	\$ (1,879,124)
Net capital assets	5,198,108	5,058,628	10,360	7,699	5,208,468	5,066,327	142,141
<b>Total assets</b>	<b>8,588,774</b>	<b>9,866,165</b>	<b>2,050,753</b>	<b>2,510,345</b>	<b>10,639,527</b>	<b>12,376,510</b>	<b>(1,736,983)</b>
<b>Liabilities</b>							
Current liabilities	1,458,110	2,393,723	79,965	74,712	1,538,075	2,468,435	(930,360)
Long-term liabilities	3,172,628	2,963,974	1,153,620	1,124,421	4,326,248	4,088,395	237,853
<b>Total liabilities</b>	<b>4,630,738</b>	<b>5,357,697</b>	<b>1,233,585</b>	<b>1,199,133</b>	<b>5,864,323</b>	<b>6,556,830</b>	<b>(692,507)</b>
<b>Net Assets</b>							
Invested in capital assets, net							
of related debt	3,492,205	3,522,177	3,286	3,393	3,495,491	3,525,570	(30,079)
Restricted	702,743	697,168	819,348	1,297,613	1,522,091	1,994,781	(472,690)
Unrestricted	(236,912)	289,123	(5,466)	10,206	(242,378)	299,329	(541,707)
<b>Total net assets</b>	<b>\$ 3,958,036</b>	<b>\$ 4,508,468</b>	<b>\$ 817,168</b>	<b>\$ 1,311,212</b>	<b>\$ 4,775,204</b>	<b>\$ 5,819,680</b>	<b>\$ (1,044,476)</b>

**Net Assets:**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled \$4.8 billion at the end of 2009, compared with \$5.8 billion at the end of the previous year.

The largest portion of the State's net assets (\$3.5 billion or 73%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets (\$1.5 billion or 32%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net assets deficit of \$242.3 million (or -5%), as compared to a \$299.3 million surplus in the prior year. Although there were lower general revenues in the form of gaming taxes, sales and use taxes, motor taxes, and investment earnings, total government-wide revenues increased over the prior year, due primarily to additional federal funds received through the stimulus, Medicaid and unemployment compensation programs. The unrestricted net assets deficit occurred because the increase in government-wide expenses exceeded the higher revenues that were received. The majority of the higher government-wide expenses were due to the \$896 million increase to unemployment insurance benefits paid. Nevada's unemployment rate is significantly higher than the national average,

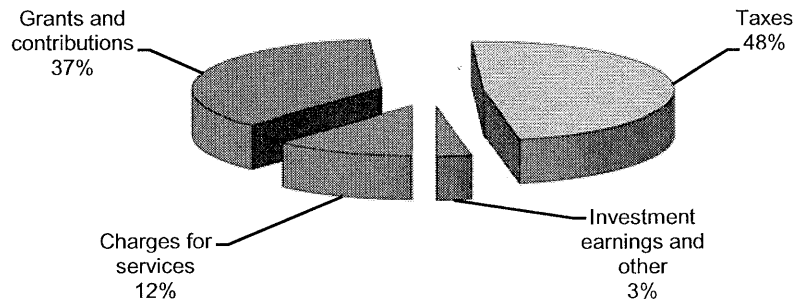
as the State continues to deal with the effects of lower levels of consumer spending and tourism. Nevertheless, at the end of the current fiscal year, the State is able to report positive balances in two of the three categories of net assets, both for the government as a whole, as well as for its governmental activities and the business-type activities.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 794,893	\$ 794,372	\$ 105,244	\$ 107,227	\$ 900,137	\$ 901,599
Operating grants and contributions	2,544,032	1,982,315	525,550	88,335	3,069,582	2,070,650
Capital grants and contributions	19,608	21,871	-	-	19,608	21,871
General revenues						
Sales and use taxes	943,787	1,101,741	-	-	943,787	1,101,741
Gaming taxes	883,054	1,011,506	-	-	883,054	1,011,506
Modified business taxes	281,605	297,161	-	-	281,605	297,161
Insurance premium taxes	241,252	256,847	-	-	241,252	256,847
Property and transfer taxes	278,881	280,896	-	-	278,881	280,896
Motor and special fuel taxes	272,614	297,087	-	-	272,614	297,087
Other taxes	374,704	425,250	342,588	374,565	717,292	799,815
Investment earnings	9,026	105,649	-	-	9,026	105,649
Other	181,086	115,508	-	-	181,086	115,508
<b>Total Revenues</b>	<b>6,824,542</b>	<b>6,690,203</b>	<b>973,382</b>	<b>570,127</b>	<b>7,797,924</b>	<b>7,260,330</b>
<b>Expenses</b>						
General government	389,943	439,682	-	-	389,943	439,682
Health and social services	2,667,419	2,454,843	-	-	2,667,419	2,454,843
Education and support services	2,475,416	2,381,731	-	-	2,475,416	2,381,731
Law, justice and public safety	687,410	650,657	-	-	687,410	650,657
Regulation of business	118,086	114,786	-	-	118,086	114,786
Transportation	762,610	576,815	-	-	762,610	576,815
Recreation and resource development	165,741	167,627	-	-	165,741	167,627
Interest on long-term debt	138,304	146,312	-	-	138,304	146,312
Unallocated depreciation	976	992	-	-	976	992
Unemployment insurance	-	-	1,336,043	439,632	1,336,043	439,632
Housing	-	-	44,382	43,953	44,382	43,953
Water loans	-	-	6,218	6,836	6,218	6,836
Workers' compensation and safety	-	-	26,801	26,258	26,801	26,258
Higher education	-	-	13,103	8,109	13,103	8,109
Other	-	-	16,967	20,496	16,967	20,496
<b>Total Expenses</b>	<b>7,405,905</b>	<b>6,933,445</b>	<b>1,443,514</b>	<b>545,284</b>	<b>8,849,419</b>	<b>7,478,729</b>
Excess (deficiency) in net assets before contributions to permanent funds and transfers	(581,363)	(243,242)	(470,132)	24,843	(1,051,495)	(218,399)
Contributions to permanent fund	7,019	8,801	-	-	7,019	8,801
Transfers	23,912	19,592	(23,912)	(19,592)	-	-
<b>Change in net assets</b>	<b>(550,432)</b>	<b>(214,849)</b>	<b>(494,044)</b>	<b>5,251</b>	<b>(1,044,476)</b>	<b>(209,598)</b>
Net assets - beginning of year	4,508,468	4,723,317	1,311,212	1,305,961	5,819,680	6,029,278
<b>Net assets - end of year</b>	<b>\$ 3,958,036</b>	<b>\$ 4,508,468</b>	<b>\$ 817,168</b>	<b>\$ 1,311,212</b>	<b>\$ 4,775,204</b>	<b>\$ 5,819,680</b>

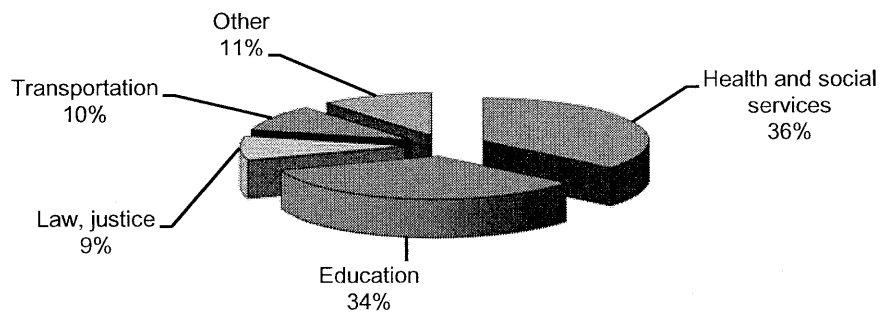
**Changes in Net Assets:**

*Governmental activities* –The net assets decreased by \$550.4 million or 12.2%. Approximately 48% of the total revenue came from taxes, while 37% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 12% of the total revenues (see chart below). The State’s governmental activities expenses cover a range of services and the largest expenses were for health and social services (36%) and education (34%) (see chart below). In 2009, governmental activities expenses exceeded program revenues, resulting in the use of \$4 billion in general revenues, which were generated to support the government.

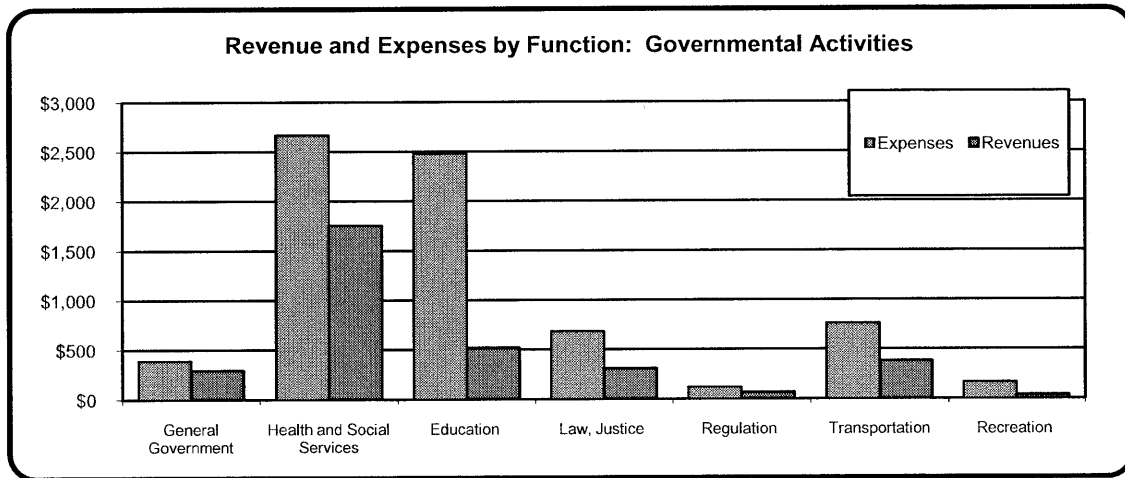
The following chart depicts the governmental activities revenues for the fiscal year:



The following chart depicts the governmental activities expenses for the fiscal year:

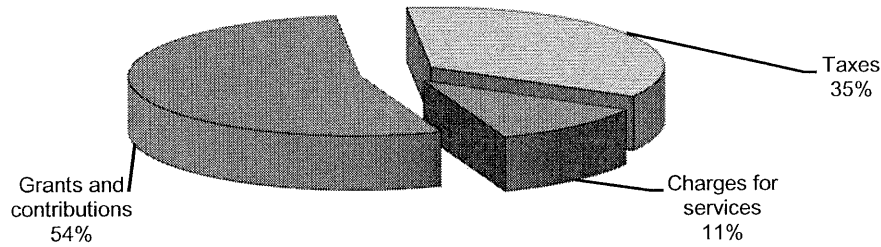


The following chart depicts the total program revenues and expenses for each function of governmental activities (expressed in millions):

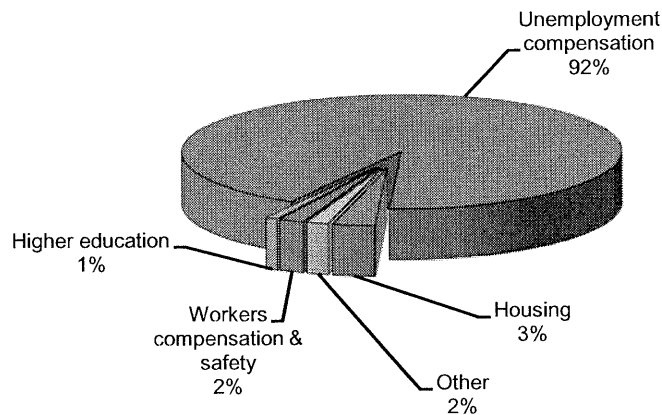


*Business-type activities* –The net assets decreased by \$494 million or 38%. Approximately 35% of the total revenue came from taxes, while 54% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 11% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (92%) and housing (3%) (see chart below). In 2009, business-type activities expenses exceeded program revenues by \$812.7 million. Of this amount, unemployment compensation was the largest, with net expenses of \$838 million, resulting in the use of \$343 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

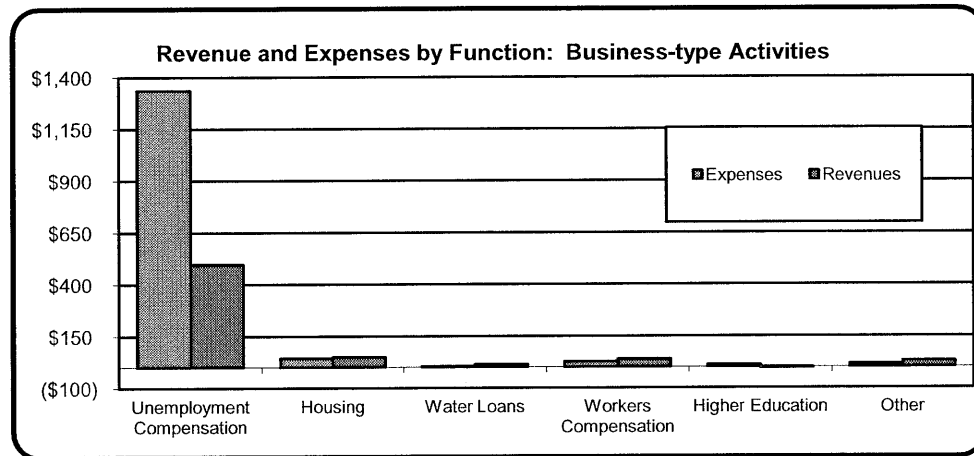
The following chart depicts the business-type activities revenues for the fiscal year:



The following chart depicts the business-type activities expenses for the fiscal year:



The following chart depicts the total program revenues and expenses for each function for business-type activities (expressed in millions):



In conclusion, the State government's overall financial position declined over the past fiscal year, with a \$550 million decrease in the net assets of the governmental activities and a \$494 million decrease in the net assets of the business-type activities. The change in net assets for governmental activities continued to decline from a decrease of 4.5% in the prior fiscal year to a decrease of 12.2% in the current year. The business-type activities dropped from a growth of .4% in the prior fiscal year to a 38% decline in the current year. Both Nevada and the U.S. economy continue to suffer from the decline in the housing sector and the collapse of the financial markets. Tax revenues decreased in the current fiscal year by 9.6%, compared to a decrease of 2.8% in the prior fiscal year, mainly caused by the continued slowdown in gaming, sales, property and transfer taxes. An increase in unemployment claims, mostly related to the drop in construction and leisure/hospitality employment, was another reason for the fall in growth of business-type activities.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

### Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.6 billion, a decrease of \$520.9 million in comparison with the prior year. Approximately 40.3% of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year, to pay debt service, to be held in permanent trust funds or for a variety of other purposes. The major governmental funds are discussed individually below:

*The General Fund* is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund balance was \$192.8 million. The fund balance decreased by \$206.9 million during the current fiscal year, which is a 51.8% decrease from the prior year. The reasons for this decrease are discussed in further detail below.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2009 and 2008 (expressed in thousands). Other financing sources are not included.

<b>General Fund Revenues (expressed in thousands)</b>						
	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 865,609	16.3%	\$ 993,530	19.1%	\$ (127,921)	-12.9%
Sales taxes	953,112	18.0%	1,088,024	20.8%	(134,912)	-12.4%
Modified business taxes	277,516	5.2%	284,601	5.5%	(7,085)	-2.5%
Insurance premium taxes	238,524	4.5%	256,693	4.9%	(18,169)	-7.1%
Property and transfer taxes	65,922	1.2%	85,883	1.6%	(19,961)	-23.2%
Motor and special fuel taxes	3,135	0.1%	3,146	0.1%	(11)	-0.3%
Intergovernmental	2,221,824	41.8%	1,751,697	33.6%	470,127	26.8%
Other taxes	315,726	5.9%	312,888	6.0%	2,838	0.9%
Licenses, fees and permits	209,250	3.9%	214,563	4.1%	(5,313)	-2.5%
Sales and charges for services	54,304	1.0%	60,854	1.2%	(6,550)	-10.8%
Interest and investment income	7,606	0.1%	91,737	1.8%	(84,131)	-91.7%
Other revenues	103,979	2.0%	69,736	1.3%	34,243	49.1%
<b>Total revenues</b>	<b>\$ 5,316,507</b>	<b>100.0%</b>	<b>\$ 5,213,352</b>	<b>100.0%</b>	<b>\$ 103,155</b>	<b>2.0%</b>

The total General Fund revenues increased 2%. The largest increase in revenue sources was \$470.1 million or 26.8% in intergovernmental revenue. These are revenues received from the federal government, and the most significant increases were from the stimulus and Medicaid programs. The stimulus program was implemented as a result of the American Recovery and Reinvestment Act (ARRA), which was signed into law on February 17, 2009 by President Obama. The intent of ARRA was to grant additional monies to all the states to stimulate economic growth. During FY09 the major stimulus funds received were \$125 million for Medicaid and \$139.6 million for stabilization, and the State expects to receive more than \$2 billion in total over the next few years. The largest declines in revenue sources were \$134.9 million or 12.4% in sales tax, \$127.9 million or 12.9% in gaming taxes, fees and licenses, \$84.1 million or 91.7% in interest and investment income, and \$19.9 million or 23.2% in property and transfer taxes. All are due to the continued slow down of the economy and lingering effects from the collapse of the security and real estate markets.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2009 and 2008 (expressed in thousands). Other financing uses are not included.

<b>General Fund Expenditures (expressed in thousands)</b>						
	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 97,675	1.7%	\$ 146,808	2.7%	\$ (49,133)	-33.5%
Health and social services	2,428,459	42.0%	2,229,277	40.4%	199,182	8.9%
Education and support services	57,077	1.0%	44,375	0.8%	12,702	28.6%
Law, justice and public safety	450,076	7.8%	444,584	8.1%	5,492	1.2%
Regulation of business	83,253	1.4%	82,727	1.5%	526	0.6%
Recreation, resource development	111,828	1.9%	137,561	2.5%	(25,733)	-18.7%
Intergovernmental	2,552,842	44.2%	2,427,716	44.0%	125,126	5.2%
Debt service	1,532	0.0%	1,633	0.0%	(101)	-6.2%
<b>Total expenditures</b>	<b>\$ 5,782,742</b>	<b>100.0%</b>	<b>\$ 5,514,681</b>	<b>100.0%</b>	<b>\$ 268,061</b>	<b>4.9%</b>

The total General Fund expenditures increased 4.9%. Intergovernmental expenditures increased \$125.1 million or 5.2% primarily due to intergovernmental expenditures for education, while expenditures for health and social services increased \$199.1 million or 8.9%. The largest portion of this amount was for Medicaid, food stamps, and programs for Women, Infants & Children and Temporary Assistance for Needy Families.

*The State Highway Fund* is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance decreased \$126 million during the current fiscal year, which is a 29% decrease from the prior year. This decrease is primarily due to increased construction activity paid for with federal grants and bond proceeds from prior years. The unreserved fund balance is a negative \$104.7 million and the reserved balance is a positive \$414.1 million.

*The Municipal Bond Bank Fund* is a special revenue fund used to account for revenues and expenditures associated with buying local government bonds with proceeds of State general obligation bonds. The fund balance decreased by \$14.4 million during the current fiscal year, which is a 4.2% decrease from the prior year. This decrease was primarily due to local governments refunding certain bonds and a decrease in interest and investment income.

*The Consolidated Bond Interest and Redemption Fund* is a debt service fund used to accumulate monies for the payment of leases and principal and interest on general obligation bonds of the State. The fund balance increased by \$9.3 million during the current fiscal year, which is a 6% increase from the prior year. The increase was due primarily to the increase in property and transfer taxes used for debt service payments.

*The Stabilize the Operations of State Government Fund* (also known as the “Rainy Day” fund) is a special revenue fund used to account for funds set aside according to Nevada Revised Statutes (NRS) 353.288 to be expended only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or if the Legislature and the Governor declare a fiscal emergency. The fund balance decreased by \$76.4 million during the current fiscal year, which is a 90.6% decrease from the prior year balance of \$84 million. This decrease was primarily due to a transfer of \$72 million, bringing the fund balance to \$8 million. The \$72 million transfer was an appropriation to the General Fund as authorized by Senate Bill 1 of the 24<sup>th</sup> Special Session (2008). This special session of the Legislature was convened due to a shortfall and continuing decline in general fund revenues. Under NRS 353.288, there was no annual deposit transferred from the General Fund due to a low unrestricted fund balance.

#### **Proprietary Funds:**

The State’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of two types: enterprise funds and internal service funds. Enterprise funds are used when goods or services are provided primarily to parties outside of the State while internal service funds are used when goods or services are provided primarily to State agencies.

**Enterprise Funds** – There are three major enterprise funds: Housing Division Fund, Unemployment Compensation Fund and Water Projects Loans Fund. The combined net assets of the three major funds comprise 96% of the total combined net assets of all enterprise funds. The combined net assets of the enterprise funds decreased by \$493.9 million in 2009. The major enterprise funds are discussed below:

*The Housing Division Fund* provides low interest loans to first-time homebuyers with low or moderate household incomes. The net assets increased by \$5.5 million or 3.2% during the current fiscal year and the results of operations were down 29% from last year, due to the downturn of the housing market.

*The Unemployment Compensation Fund* accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net assets decreased by \$497 million during the current fiscal year, which is a 57% decrease from the prior year. An increase in unemployment due to the slowdown in the economy and the drop in construction and hospitality/leisure employment resulted in a 204% increase in operating expenses compared to the previous year.

*The Water Projects Loans Fund* issues loans to governmental, as well as private entities for two programs: safe drinking water and water pollution control. The federal EPA matches the State’s bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. Total revenues exceeded expenses and transfers by \$8.3 million during the current fiscal year, for final net assets of \$233.3 million, which is a 3.7% increase from the prior year.

**Internal Service Funds** – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and motor pool in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2009, total internal service fund net assets decreased by \$14.5 million, for a final net asset balance of \$48.4 million. The two largest funds are:

*The Self-Insurance Fund* accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. The fund had a net loss of \$11.9 million for the year as compared to a net loss of \$15.7 million in the prior year, with final net assets of \$51.6 million. This year's loss resulted from a 16% increase in total operating expenses. Operating expenses increased primarily as a result of higher claims and increased insurance premiums.

*The Insurance Premiums Fund* accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit increased by \$2.6 million or 10% during fiscal year 2009, to a total deficit of \$28.3 million. This year's decrease from operations was caused primarily by a 115% increase in claims expense, and a 29% increase in operating expense. NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund total sources were \$370 million or 4.7% less than the final budget. This was due primarily to actual intergovernmental revenues received that were less than the final budgeted amount.

The increase in the General Fund expenditures and other uses budget from original to final was \$1.45 billion. Some of the differences originate because the original budget consists only of budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. Non-executive budgets, not subject to legislative approval, only require approval by the Budget Division and if approved after July 1, are considered to be revisions.

Some of the budget revisions included: \$323.8 million for the State Distributive School Account, \$217.4 million from the federal American Recovery and Reinvestment Act (ARRA) for education stabilization, \$48.4 million in ARRA for government services stabilization, \$17.6 million from the federal HUD for neighborhood stabilization, \$238.6 million in federal Title XIX and Title IV grants for Nevada Medicaid, TANF/CHAP and Child Welfare Services, and \$51.9 million in federal grants for emergency management assistance and justice assistance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets:

The State's capital assets for its governmental and business-type activities as of June 30, 2009, amount to \$6 billion, net of accumulated depreciation of \$829.2 million, leaving a net book value of \$5.2 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expends certain maintenance and preservation costs and does not report depreciation expense on infrastructure. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State; 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80 and will also maintain its bridges so that not more than 10% are structurally deficient or functionally obsolete. The Department of Transportation conducts a biennial condition assessment of roadways and bridges in odd numbered calendar years. However, the calendar year 2009 assessment is not available as of the date of this report. Based on the 2007 assessments, the State has met the requirement of the modified approach, as follows:

**Condition Level of the Roadways**  
**Percentage of roadways with an IRI of less than 80**

	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%

**Condition Level of the Bridges**  
**Percentage of substandard bridges**

	2007	2005	2003
	State Policy-maximum percentage	10%	10%
Actual results condition assessment	4%	3%	5%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2009 by \$3.1 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the target condition levels, as the most recent condition assessment indicates that the State already exceeds the established benchmarks in all categories. Additional information on the State's infrastructure can be found in the Schedule of Infrastructure Condition and Maintenance Data in the Required Supplementary Information section to the financial statements.

To keep pace with the demands of a growing population and economy, the State also has a substantial capital projects program. The following is a summary of major projects in progress during 2009 (expressed in millions):

	<b>Expended by June 30, 2009</b>	<b>Total Budget</b>
High Desert State Prison Phase 5	\$ 48.8	\$ 53.1
SNWCC 400 Bed Expansion	40.5	44.3
Indian Springs Conservation Camp	32.6	43.5
High Desert State Prison Phase 4, Indian Springs	40.1	40.7
Unified Tax System	33.8	40.5
GSF/Campos Office Building	27.0	39.7
Readiness Center North Las Vegas	-	35.8
Housing Units - Pre-Engineered	29.1	29.3
SDCC Housing Unit & Planning	3.5	27.8
Las Vegas Readiness Center	24.2	27.4

The total increase in the State's capital assets for the primary government for the current fiscal year was \$404.8 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$89 million.

Additional information on the State's capital assets can be found in Note 7 to the financial statements.

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**Debt Administration:**

As of year-end, the State had \$4.2 billion in long-term debt outstanding, compared to \$4.1 billion last year, an increase of \$156.4 million or 3.8% during the current fiscal year. This increase was due primarily to the issuance of general obligation bonds.

The most current bond ratings from Fitch, Moody’s Investor Service and Standard and Poor’s were AA, Aa2 and AA+, respectively. Although the State has experienced financial challenges this year, Nevada retained its high ‘AA’ credit ratings. These ratings are an indication of high quality obligations and a reflection of sound financial management. The Constitution of the State limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State.

New bonds issued during the 2009 fiscal year were (expressed in thousands):

General Obligation Capital Improvements and Cultural Affairs	7/31/08C	\$	279,825
General Obligation Natural Resources	7/31/08D		13,000
General Obligation Open Space, Parks and Natural Resources	7/31/08E		7,500
Safe Drinking Water Act Revolving Fund Matching	7/31/08F		3,330
Water Pollution Control Revolving Fund Matching	7/31/08G		1,000
Housing Single-Family 2008 Issue B	9/25/2008		17,500
Housing Single-Family 2008 Issue B Variable	9/25/2008		7,500
Housing Multi-Unit Sierra Manor	12/18/2008		11,000
Housing Single-Family 2009 Issue A	6/2/2009		23,180

This list of new bonds does not agree completely with the schedule of additions to bonds payable as seen in Note 8 to the financial statements, due to the inclusion of accreted interest, deferred items and bonds redeemed prior to year-end.

Additional information on the State’s long-term debt obligations can be found in Note 8 to the financial statements and in the Statistical Section.

**Requests for Information**

This financial report is designed to provide a general overview of the State of Nevada’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701-4786 or visit our website at: [www.controller.nv.gov](http://www.controller.nv.gov).

# Statement of Net Assets



NEVADA

June 30, 2009 (Expressed in Thousands)

	Primary Government		Component Units	
	Governmental Activities	Business-Type Activities	Colorado River Commission	Nevada System of Higher Education
<b>Assets</b>				
Cash and pooled investments	\$ 1,527,807	\$ 405,190	\$ 4,902	\$ 81,582
Investments	638,447	725,299	-	762,449
Collateral on loaned securities	185	-	-	-
Internal balances	1,319	(1,319)	-	-
Due from the state	-	-	121	103,325
Accounts receivable	63,795	4,195	13,637	36,502
Taxes/assessments receivable	672,981	123,174	-	-
Intergovernmental receivables	443,731	1,373	-	36,664
Accrued interest and dividends	12,617	16,122	65	-
Contracts receivable	-	17,811	-	-
Mortgages receivable	-	586,716	-	-
Notes/loans receivable	632	9,641	-	11,864
Other receivables	16	211	-	63,875
Inventory	13,226	1,708	-	6,073
Prepaid expenses	3,210	9	37,806	-
Deferred charges	12,700	4,251	-	-
<b>Restricted assets:</b>				
Cash	-	-	10,498	10,056
Investments	-	142,539	-	-
Other assets	-	3,473	-	41,797
<b>Capital assets:</b>				
Land, infrastructure and construction in progress	4,054,292	8,255	370	218,376
Other capital assets, net	1,143,816	2,105	58,547	1,697,036
<b>Total assets</b>	<b>8,588,774</b>	<b>2,050,753</b>	<b>125,946</b>	<b>3,069,599</b>
<b>Liabilities</b>				
Accounts payable	661,146	54,693	9,418	48,348
Accrued payroll and related liabilities	59,688	897	-	28,750
Intergovernmental payables	162,871	11	-	7,545
Interest payable	27,553	9,904	1,440	11,188
Due to component units	103,382	64	-	-
Contracts/retentions payable	62,387	-	-	-
Obligations under securities lending	185	-	-	-
Unearned revenues	330,068	9,070	565	38,295
Other liabilities	50,830	5,326	3,814	23,867

Long-term liabilities:

*Portion due or payable within one year:*

Reserve for losses	53,536	-	53,536	-	-
Obligations under capital leases	2,107	-	2,107	-	3,557
Compensated absences	69,549	1,150	70,699	193	29,041
Benefits payable	-	8,700	8,700	-	-
Bonds payable	190,190	18,684	208,874	5,387	19,087
Certificates of participation payable	1,370	-	1,370	-	-
<i>Portion due or payable after one year:</i>					
Reserve for losses	27,933	-	27,933	-	-
Obligations under capital leases	15,809	-	15,809	-	6,908
Compensated absences	32,997	642	33,639	80	14,045
Benefits payable	-	116,231	116,231	-	-
Bonds payable	2,721,902	1,008,141	3,730,043	96,779	510,481
Certificates of participation payable	56,660	-	56,660	-	-
Arbitrage rebate liability	575	72	647	-	-
<b>Total liabilities</b>	<b>4,630,738</b>	<b>1,233,585</b>	<b>5,864,323</b>	<b>117,676</b>	<b>741,112</b>

**Net Assets**

Invested in capital assets, net of related debt

Restricted for:

Unemployment compensation	3,492,205	3,286	3,495,491	(3,934)	1,384,584
Security of outstanding obligations	-	370,277	370,277	-	-
Workers' compensation	-	177,319	177,319	-	-
Capital projects	6,448	36,560	36,560	-	116,145
Debt service	34,459	-	34,459	-	11,538
Education and support services	3,921	-	3,921	-	-
Transportation	265,680	-	265,680	-	-
Recreation and resource development	39,655	233,282	272,937	-	-
Law, justice and public safety	7,606	-	7,606	-	-
Health and social services	39,918	-	39,918	-	-
Regulation of business	12,034	1,910	13,944	-	-
Municipal securities	1,278	-	1,278	-	-
Scholarships	-	-	-	-	229,259
Loans	-	-	-	-	5,488
Operations and maintenance	-	-	-	713	-
Funds held as permanent investments:					
Nonexpendable	291,724	-	291,724	-	231,240
Expendable	20	-	20	-	-
Unrestricted (deficit)	(236,912)	(5,466)	(242,378)	11,491	350,233
<b>Total net assets</b>	<b>\$ 3,958,036</b>	<b>\$ 817,168</b>	<b>\$ 4,775,204</b>	<b>\$ 8,270</b>	<b>\$ 2,328,487</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total		
<b>Functions/Programs</b>									
<b>Primary Government</b>									
Governmental activities:									
General government	\$ 389,943	\$ 281,997	\$ 10,320	\$ -	\$ (97,626)	\$ -	\$ (97,626)	\$ -	\$ -
Health and social services	2,667,419	141,473	1,613,918	-	(912,028)	-	(912,028)	-	-
Education and support services	2,475,416	3,963	515,454	-	(1,955,999)	-	(1,955,999)	-	-
Law, justice and public safety	687,410	252,755	52,402	3,675	(378,578)	-	(378,578)	-	-
Regulation of business	118,086	60,655	5,819	-	(51,612)	-	(51,612)	-	-
Transportation	762,610	18,742	345,044	15,698	(383,126)	-	(383,126)	-	-
Recreation and resource development	165,741	35,308	1,075	235	(129,123)	-	(129,123)	-	-
Interest on long-term debt	138,304	-	-	-	(138,304)	-	(138,304)	-	-
Unallocated depreciation	976	-	-	-	(976)	-	(976)	-	-
<b>Total governmental activities</b>	<b>7,405,905</b>	<b>794,893</b>	<b>2,544,032</b>	<b>19,608</b>	<b>(4,047,372)</b>	<b>-</b>	<b>(4,047,372)</b>	<b>-</b>	<b>-</b>
Business-type activities:									
Unemployment insurance	1,336,043	1,460	496,543	-	-	(838,040)	(838,040)	-	-
Housing	44,382	26,604	23,329	-	-	5,551	5,551	-	-
Water loans	6,218	8,648	7,405	-	-	9,835	9,835	-	-
Workers' compensation and safety	26,801	38,955	2,293	-	-	14,447	14,447	-	-
Higher education	13,103	73	(4,032)	-	-	(17,062)	(17,062)	-	-
Other	16,967	29,504	12	-	-	12,549	12,549	-	-
<b>Total business-type activities</b>	<b>1,443,514</b>	<b>105,244</b>	<b>525,550</b>	<b>-</b>	<b>-</b>	<b>(812,720)</b>	<b>(812,720)</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 8,849,419</b>	<b>\$ 900,137</b>	<b>\$ 3,069,582</b>	<b>\$ 19,608</b>	<b>(4,047,372)</b>	<b>(812,720)</b>	<b>(4,860,092)</b>	<b>-</b>	<b>-</b>
<b>Component Units</b>									
Colorado River Commission	\$ 86,867	\$ 85,957	\$ -	\$ -	\$ -	\$ -	\$ -	(910)	\$ -
Nevada System of Higher Education	1,518,088	514,447	383,257	2,366	-	-	-	-	(618,018)
<b>Total component units</b>	<b>\$ 1,604,955</b>	<b>\$ 600,404</b>	<b>\$ 383,257</b>	<b>\$ 2,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(910)</b>	<b>(618,018)</b>

General revenues:									
Taxes:									
Gaming	848,437	-	-	848,437	-	-	-	-	-
Sales and use	850,211	-	-	850,211	-	-	-	-	-
Modified business	281,605	-	-	281,605	-	-	-	-	-
Insurance premium	241,252	-	-	241,252	-	-	-	-	-
Property and transfer	65,922	-	-	65,922	-	-	-	-	-
Motor and special fuel	3,135	-	-	3,135	-	-	-	-	-
Other	280,841	-	-	280,841	-	-	-	-	-
Restricted for unemployment compensation:									
Other taxes	-	342,588	-	342,588	-	-	-	-	-
Restricted for educational purposes:									
Sales and use taxes	93,576	-	-	93,576	-	-	-	-	-
Gaming taxes	34,617	-	-	34,617	-	-	-	-	-
Restricted for debt service purposes:									
Property and transfer taxes	185,920	-	-	185,920	-	-	-	-	-
Motor and special fuel taxes	88,996	-	-	88,996	-	-	-	-	-
Other	32,765	-	-	32,765	-	-	-	-	-
Restricted for recreation and resource development									
Other taxes	28,774	-	-	28,774	-	-	-	-	-
Land Sales	13,903	-	-	13,903	-	-	-	-	-
Restricted for health and social services purposes:									
Property and transfer taxes	27,039	-	-	27,039	-	-	-	-	-
Other taxes	33,796	-	-	33,796	-	-	-	-	-
Restricted for transportation purposes:									
Motor and special fuel taxes	180,483	-	-	180,483	-	-	-	-	-
Other taxes	27,106	-	-	27,106	-	-	-	-	-
Restricted for regulation purposes:									
Other taxes	4,187	-	-	4,187	-	-	-	-	-
Tobacco settlement income	50,959	-	-	50,959	-	-	-	-	-
Unrestricted investment earnings	9,026	-	271	9,026	271	-	(121,365)	-	-
Other general revenues	83,459	-	583	83,459	583	-	14,634	-	-
Contributions to permanent funds	7,019	-	-	7,019	-	-	16,698	-	-
Payments from State of Nevada	-	-	-	-	-	-	592,725	-	-
Transfers	23,912	(23,912)	-	-	-	-	-	-	-
Total general revenues and transfers	3,496,940	318,676	3,815,616	854	502,692				
Change in net assets	(550,432)	(494,044)	(1,044,476)	(56)	(115,326)				
Net assets - beginning	4,508,468	1,311,212	5,819,680	8,326	2,443,813				
<b>Net assets - ending</b>	<b>\$ 3,958,036</b>	<b>\$ 817,168</b>	<b>\$ 4,775,204</b>	<b>\$ 8,270</b>	<b>\$ 2,328,487</b>				

The notes to the financial statements are an integral part of this statement.

# Balance Sheet Governmental Funds

June 30, 2009

	General Fund	State Highway	Municipal Bond Bank
<b>Assets</b>			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 446,950,720	\$ 310,735,506	\$ 220,305
Cash in custody of other officials	3,495,303	191,353	-
Investments	21,002,185	-	326,335,000
Collateral on loaned securities	184,807	-	-
<i>Receivables:</i>			
Accounts receivable	29,888,277	5,751,540	-
Taxes receivable	630,594,879	36,062,235	-
Intergovernmental receivables	262,869,832	29,244,739	-
Accrued interest and dividends	8,431,916	-	1,488,539
Notes/loans receivable	489,015	-	-
Other receivables	15,830	-	-
Due from other funds	48,443,934	12,230,978	13,229
Due from fiduciary funds	525,187	-	-
Due from component units	148,472	-	-
Inventory	-	11,742,694	-
Advances to other funds	3,453,441	-	-
Prepaid items	2,917,206	7,077	-
<b>Total assets</b>	\$ 1,459,411,004	\$ 405,966,122	\$ 328,057,073
<b>Liabilities and Fund Balances</b>			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 268,272,538	\$ 18,218,576	\$ -
Accrued payroll and related liabilities	39,690,065	14,509,159	-
Intergovernmental payables	152,578,721	5,738,769	-
Interest payable	-	-	-
Contracts/retentions payable	1,072,408	28,974,345	-
Obligations under securities lending	184,807	-	-
Due to other funds	41,921,259	6,359,048	444,591
Due to fiduciary funds	348,547,173	1,475,810	-
Due to component units	9,875,254	322,927	-
Deferred revenues	355,723,078	19,407,655	1,490,025
Bonds payable	-	-	-
Other liabilities	48,723,615	1,566,852	-
<b>Total liabilities</b>	1,266,588,918	96,573,141	1,934,616
<b>Fund balances:</b>			
<i>Reserved:</i>			
Encumbrances and contracts	6,651,966	402,334,080	-
Inventories	-	11,742,694	-
Advances	3,453,441	-	-
Funds held as permanent investments	-	-	-
Fiscal emergency	-	-	-
Debt service	-	-	-
Other	3,406,221	7,077	-
Unreserved, designated for balances forward	178,611,297	-	-
Unreserved, designated for approved capital projects	699,161	-	-
<i>Unreserved, designated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Unreserved, undesignated	-	(104,690,870)	326,122,457
<i>Unreserved, undesignated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Permanent funds	-	-	-
<b>Total fund balances</b>	192,822,086	309,392,981	326,122,457
<b>Total liabilities and fund balances</b>	\$ 1,459,411,004	\$ 405,966,122	\$ 328,057,073

The notes to the financial statements are an integral part of this statement.



Consolidated Bond Interest and Redemption		Stabilize the Operations of State Government		Other Governmental Funds		Total Governmental Funds	
\$	168,736,531	\$	7,760,635	\$	468,676,889	\$	1,403,080,586
	-		-		3,303,745		6,990,401
	-		-		291,109,477		638,446,662
	-		-		-		184,807
	-		-		25,278,650		60,918,467
	-		-		6,324,042		672,981,156
	132,007,078		-		8,797,045		432,918,694
	-		-		2,696,549		12,617,004
	-		-		28,069		517,084
	-		-		-		15,830
	7,062,011		176,575		30,366,424		98,293,151
	-		-		479,720		1,004,907
	6,175,000		-		55,364		6,378,836
	-		-		1,291,003		13,033,697
	1,657,001		-		-		5,110,442
	-		-		18,759		2,943,042
<b>\$</b>	<b>315,637,621</b>	<b>\$</b>	<b>7,937,210</b>	<b>\$</b>	<b>838,425,736</b>	<b>\$</b>	<b>3,355,434,766</b>
\$	102,353	\$	295	\$	8,083,797	\$	294,677,559
	-		-		4,013,350		58,212,574
	-		-		4,521,256		162,838,746
	3,495,840		-		-		3,495,840
	-		-		32,340,666		62,387,419
	-		-		-		184,807
	4,526,312		-		48,680,371		101,931,581
	-		-		198,158		350,221,141
	-		-		100,700,176		110,898,357
	137,535,143		6,303		25,416,872		539,579,076
	9,205,000		-		-		9,205,000
	-		-		539,273		50,829,740
	154,864,648		6,598		224,493,919		1,744,461,840
	-		-		34,891,142		443,877,188
	-		-		1,291,003		13,033,697
	1,657,001		-		-		5,110,442
	-		-		291,724,318		291,724,318
	-		632,516		-		632,516
	159,115,972		-		34,458,904		193,574,876
	-		-		9,864,379		13,277,677
	-		-		-		178,611,297
	-		-		-		699,161
	-		-		277,101		277,101
	-		-		73,898,437		73,898,437
	-		7,298,096		-		228,729,683
	-		-		167,512,205		167,512,205
	-		-		(6,146)		(6,146)
	-		-		20,474		20,474
	160,772,973		7,930,612		613,931,817		1,610,972,926
<b>\$</b>	<b>315,637,621</b>	<b>\$</b>	<b>7,937,210</b>	<b>\$</b>	<b>838,425,736</b>	<b>\$</b>	<b>3,355,434,766</b>

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# Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets



NEVADA

June 30, 2009

**Total fund balances - governmental funds** \$ 1,610,972,926

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 136,968,954	
Construction in progress	269,146,762	
Infrastructure assets	3,125,559,258	
Rights-of-way	522,486,390	
Buildings	1,303,289,567	
Improvements other than buildings	112,904,825	
Furniture and equipment	326,316,601	
Software costs	136,238,926	
Accumulated depreciation/amortization	<u>(765,850,428)</u>	
Total capital assets		5,167,060,855

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 209,530,156

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 48,615,820

The deferred loss on early retirement of debt is reported as a deferred charge on the statement of net assets and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less. 19,859

Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt. 12,680,005

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(2,894,560,403)	
Accrued interest on bonds	(24,057,276)	
Arbitrage rebate liability	(574,566)	
Certificates of participation	(58,030,000)	
Capital leases	(14,106,351)	
Compensated absences	<u>(99,515,296)</u>	
Total long-term liabilities		<u>(3,090,843,892)</u>

**Net assets of governmental activities** \$ 3,958,035,729

The notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

*For the Fiscal Year Ended June 30, 2009*

	General Fund	State Highway	Municipal Bond Bank
<b>Revenues</b>			
Gaming taxes, fees, licenses	\$ 865,609,151	\$ -	\$ -
Sales taxes	953,111,699	-	-
Modified business taxes	277,516,292	-	-
Insurance premium taxes	238,524,098	-	-
Property and transfer taxes	65,922,452	-	-
Motor and special fuel taxes	3,135,150	180,483,018	-
Other taxes	315,725,692	27,106,185	-
Intergovernmental	2,221,823,760	370,381,051	-
Licenses, fees and permits	209,250,029	177,966,155	-
Sales and charges for services	54,303,594	14,418,271	-
Interest and investment income	7,606,250	2,743,127	16,259,110
Tobacco settlement income	-	-	-
Land sales	-	-	-
Other	103,978,915	25,448,811	-
<b>Total revenues</b>	<b>5,316,507,082</b>	<b>798,546,618</b>	<b>16,259,110</b>
<b>Expenditures</b>			
<i>Current:</i>			
General government	97,674,477	1,427,553	3,470
Health and social services	2,428,459,486	-	-
Education and support services	57,076,784	-	-
Law, justice and public safety	450,076,360	161,826,775	-
Regulation of business	83,253,060	-	-
Transportation	-	747,424,741	-
Recreation and resource development	111,827,586	-	-
Intergovernmental	2,552,842,165	29,782,612	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	842,114	95,983	-
Interest, fiscal charges	626,500	14,037	-
Debt issuance costs	62,968	96,145	-
<b>Total expenditures</b>	<b>5,782,741,500</b>	<b>940,667,846</b>	<b>3,470</b>
Excess (deficiency) of revenues over expenditures	(466,234,418)	(142,121,228)	16,255,640
<b>Other Financing Sources (Uses)</b>			
Capital leases	20,271	-	-
Sale of general obligation bonds	10,312,613	18,861,583	-
Premium on general obligation bonds	258,253	1,234,562	-
Sale of capital assets	94,231	584,542	-
Transfers in	337,785,103	17,288,802	-
Transfers out	(89,165,056)	(21,729,770)	(30,659,915)
<b>Total other financing sources (uses)</b>	<b>259,305,415</b>	<b>16,239,719</b>	<b>(30,659,915)</b>
Net change in fund balances	(206,929,003)	(125,881,509)	(14,404,275)
Fund balances, July 1	399,751,089	435,274,490	340,526,732
<b>Fund balances, June 30</b>	<b>\$ 192,822,086</b>	<b>\$ 309,392,981</b>	<b>\$ 326,122,457</b>



NEVADA

Consolidated Bond Interest and Redemption	Stabilize the Operations of State Government	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 14,963,890	\$ 880,573,041
-	-	-	953,111,699
-	-	-	277,516,292
-	-	-	238,524,098
185,920,012	-	27,038,631	278,881,095
-	-	88,995,881	272,614,049
-	-	44,617,282	387,449,159
17,648,698	-	62,896,880	2,672,750,389
-	-	32,297,555	419,513,739
-	-	16,679,073	85,400,938
1,485,196	(12,781)	16,750,229	44,831,131
-	-	50,061,832	50,061,832
-	-	663,222	663,222
-	-	12,380,379	141,808,105
<u>205,053,906</u>	<u>(12,781)</u>	<u>367,344,854</u>	<u>6,703,698,789</u>
648,571	20,191	67,135,035	166,909,297
-	-	82,070,030	2,510,529,516
-	-	738,462	57,815,246
-	13,191	16,583,655	628,499,981
-	-	22,378,158	105,631,218
-	-	-	747,424,741
-	-	23,444,636	135,272,222
278,238	121,565	123,000,230	2,706,024,810
-	-	176,598,594	176,598,594
131,535,000	-	51,502,509	183,975,606
107,237,163	-	37,290,880	145,168,580
483,390	-	1,437,938	2,080,441
<u>240,182,362</u>	<u>154,947</u>	<u>602,180,127</u>	<u>7,565,930,252</u>
<u>(35,128,456)</u>	<u>(167,728)</u>	<u>(234,835,273)</u>	<u>(862,231,463)</u>
-	-	-	20,271
483,390	-	270,726,063	300,383,649
-	-	17,001,477	18,494,292
-	-	5,305	684,078
43,902,332	310,223	76,116,896	475,403,356
-	(76,500,000)	(235,640,990)	(453,695,731)
<u>44,385,722</u>	<u>(76,189,777)</u>	<u>128,208,751</u>	<u>341,289,915</u>
9,257,266	(76,357,505)	(106,626,522)	(520,941,548)
151,515,707	84,288,117	720,558,339	2,131,914,474
<u>\$ 160,772,973</u>	<u>\$ 7,930,612</u>	<u>\$ 613,931,817</u>	<u>\$ 1,610,972,926</u>

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# Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2009

<b>Net change in fund balances - total governmental funds</b>		<b>\$ (520,941,548)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	\$227,811,614	
Depreciation expense	<u>(81,414,672)</u>	
Excess of capital outlay over depreciation expense		146,396,942
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
Bonds issued	(300,325,000)	
Premiums on debt issued	<u>(18,494,292)</u>	
Total bond proceeds		(318,819,292)
Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		
		(20,271)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond principal retirement	180,176,677	
Certificates of participation retirement	1,290,000	
Capital lease payments	<u>1,041,653</u>	
Total long-term debt repayment		182,508,330
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities.		
		(14,363,977)
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		
		(30,045,288)
In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the the change in net assets differs from the change in fund balance by the cost of the asset sold.		
		(2,303,693)
In the statement of activities, bond issuance costs are deferred and amortized over the life of the bonds, whereas in governmental funds the entire expenditure is recognized.		
		2,021,791
Amortization of bond issuance costs is reported as an expense for the statement of activities.		
		(949,556)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		
		(555,315)
Amortization of bond premiums is reported as a reduction of interest expense for the statement of activities.		
		9,857,991
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Net decrease in accrued interest	(5,154)	
Increase in compensated absences	(3,213,272)	
Decrease in arbitrage liability	579	
Total additional expenditures	<u>579</u>	
		<u>(3,217,847)</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ (550,431,733)</u></b>

The notes to the financial statements are an integral part of this statement.

# Statement of Net Assets Proprietary Funds

June 30, 2009

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	
<b>Assets</b>						
<b>Current assets:</b>						
<i>Cash and pooled investments:</i>						
Cash with treasurer	\$ 110,894	\$ -	\$ 64,928,849	\$54,843,212	\$ 119,882,955	\$117,735,704
Cash in custody of other officials	96,795	282,417,051	-	2,793,220	285,307,066	100
Investments	47,877,276	-	-	-	47,877,276	-
<i>Receivables:</i>						
Accounts receivable	-	-	-	4,185,554	4,185,554	1,849,097
Assessments receivable	-	123,173,662	-	-	123,173,662	-
Intergovernmental receivables	-	-	862,714	510,596	1,373,310	7,723,775
Contracts receivable	-	-	-	4,400,000	4,400,000	-
Mortgages receivable	10,017,215	-	-	-	10,017,215	-
Accrued interest and dividends	8,705,085	3,639,753	2,867,524	507,293	15,719,655	-
Notes/loans receivable	-	-	-	-	-	10,000
Trades pending settlement	-	-	-	210,832	210,832	-
Due from other funds	149,970	-	536,831	1,933,834	2,620,635	7,286,036
Due from fiduciary funds	-	-	-	9,329	9,329	22,841
Due from component units	-	-	-	580	580	1,161,359
Inventory	-	-	-	1,708,492	1,708,492	192,657
Prepaid expenses	-	-	-	8,692	8,692	266,870
Deferred outflow of resources	3,458,201	-	-	-	3,458,201	-
<i>Restricted assets:</i>						
Investments	122,060,539	-	-	-	122,060,539	-
<b>Total current assets</b>	<b>192,475,975</b>	<b>409,230,466</b>	<b>69,195,918</b>	<b>71,111,634</b>	<b>742,013,993</b>	<b>136,248,439</b>
<b>Noncurrent assets:</b>						
Investments	325,738,802	-	264,928,265	86,754,479	677,421,546	-
<i>Receivables:</i>						
Intergovernmental receivables	-	-	-	-	-	3,088,035
Contracts receivable	-	-	-	13,411,298	13,411,298	-
Mortgages receivable	576,698,838	-	-	-	576,698,838	-
Accrued interest and dividends	-	-	-	402,711	402,711	-
Notes/loans receivable	-	-	8,092,330	1,548,311	9,640,641	105,000
Deferred charges	2,789,935	-	1,362,792	97,921	4,250,648	-
<i>Restricted assets:</i>						
Investments	20,478,619	-	-	-	20,478,619	-
Other assets	-	-	-	15,000	15,000	-
<i>Capital assets:</i>						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	22,078,621
Improvements other than buildings	-	-	-	630,647	630,647	713,667
Furniture and equipment	382,518	-	35,280	4,985,882	5,403,680	48,810,825
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	7,687,196	7,687,196	-
Less accumulated depreciation/ amortization	(348,533)	-	(32,659)	(6,937,383)	(7,318,575)	(56,010,308)
<b>Total noncurrent assets</b>	<b>925,740,179</b>	<b>-</b>	<b>274,386,008</b>	<b>112,552,714</b>	<b>1,312,678,901</b>	<b>34,240,604</b>
<b>Total assets</b>	<b>1,118,216,154</b>	<b>409,230,466</b>	<b>343,581,926</b>	<b>183,664,348</b>	<b>2,054,692,894</b>	<b>170,489,043</b>



**Enterprise Funds**

	<b>Housing Division</b>	<b>Unemployment Compensation</b>	<b>Water Projects Loans</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
<i>Accounts payable and accruals:</i>						
Accounts payable	\$ 14,307,553	\$ 38,807,013	\$ 75,681	\$ 1,444,849	\$ 54,635,096	\$ 8,560,229
Accrued payroll and related liabilities	95,687	-	20,951	780,656	897,294	1,475,442
Interest payable	7,888,491	-	1,986,159	29,457	9,904,107	-
Intergovernmental payables	-	-	-	11,485	11,485	32,077
Trades pending settlement	-	-	-	1,858,913	1,858,913	-
Bank overdraft	-	-	-	-	-	6,956,243
Due to other funds	3,241	146,518	550,276	2,659,337	3,359,372	2,908,867
Due to fiduciary funds	-	-	-	56,417	56,417	730,914
Due to component units	-	-	-	65,013	65,013	23,437
Unearned revenues	-	-	-	9,069,558	9,069,558	19,350
Derivative instrument - interest rate swap	3,458,201	-	-	-	3,458,201	-
Other liabilities	-	-	-	8,762	8,762	-
<i>Short-term portion of long-term liabilities:</i>						
Reserve for losses	-	-	-	-	-	53,536,327
Compensated absences	154,883	-	34,392	960,309	1,149,584	1,984,383
Benefits payable	-	-	-	8,700,000	8,700,000	-
Bonds payable	10,523,000	-	8,024,097	136,710	18,683,807	513,323
Obligations under capital leases	-	-	-	-	-	1,242,483
<b>Total current liabilities</b>	<b>36,431,056</b>	<b>38,953,531</b>	<b>10,691,556</b>	<b>25,781,466</b>	<b>111,857,609</b>	<b>77,983,075</b>
<b>Noncurrent liabilities:</b>						
Advances from funds	-	-	-	403,108	403,108	4,707,334
Reserve for losses	-	-	-	-	-	27,932,821
Compensated absences	124,109	-	23,794	494,549	642,452	1,045,957
Benefits payable	-	-	-	116,231,000	116,231,000	-
Bonds payable	901,260,000	-	99,510,138	7,370,946	1,008,141,084	7,813,768
Obligations under capital leases	-	-	-	-	-	2,567,440
Arbitrage rebate liability	-	-	72,162	-	72,162	-
<b>Total noncurrent liabilities</b>	<b>901,384,109</b>	<b>-</b>	<b>99,606,094</b>	<b>124,499,603</b>	<b>1,125,489,806</b>	<b>44,067,320</b>
<b>Total liabilities</b>	<b>937,815,165</b>	<b>38,953,531</b>	<b>110,297,650</b>	<b>150,281,069</b>	<b>1,237,347,415</b>	<b>122,050,395</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	33,985	-	2,621	3,249,779	3,286,385	18,910,555
<i>Restricted for:</i>						
Unemployment compensation	-	370,276,935	-	-	370,276,935	-
Security of outstanding obligations	177,318,930	-	-	-	177,318,930	-
Workers' compensation	-	-	-	36,560,295	36,560,295	-
Revolving loans	-	-	233,281,655	-	233,281,655	-
Regulation of business	-	-	-	1,910,383	1,910,383	-
Unrestricted (deficit)	3,048,074	-	-	(8,337,178)	(5,289,104)	29,528,093
<b>Total net assets</b>	<b>\$ 180,400,989</b>	<b>\$ 370,276,935</b>	<b>\$ 233,284,276</b>	<b>\$33,383,279</b>	<b>817,345,479</b>	<b>\$ 48,438,648</b>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

	(177,172)
Net assets of business-type activities	<u>\$ 817,168,307</u>

The notes to the financial statements are an integral part of this statement.

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# Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds



NEVADA

For the Fiscal Year Ended June 30, 2009

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$346,319,530
Sales	-	-	-	13,106,725	13,106,725	3,458,594
Assessments	-	342,588,330	-	34,478,803	377,067,133	-
Charges for services	-	-	-	14,605,799	14,605,799	47,056,061
Rental income	-	-	-	144,421	144,421	21,324,475
Interest income on loans/notes	23,133,223	-	8,648,314	190,498	31,972,035	-
Federal government	-	463,904,746	6,846,331	-	470,751,077	-
Licenses, fees and permits	-	-	-	6,927,541	6,927,541	-
Fines	-	-	-	1,861,073	1,861,073	-
Other	3,470,747	1,460,035	-	3,344,907	8,275,689	3,721,880
<b>Total operating revenues</b>	<b>26,603,970</b>	<b>807,953,111</b>	<b>15,494,645</b>	<b>74,659,767</b>	<b>924,711,493</b>	<b>421,880,540</b>
<b>Operating Expenses</b>						
Salaries and benefits	2,040,262	-	467,195	18,758,968	21,266,425	34,268,604
Operating	2,956,898	-	714,938	15,804,424	19,476,260	38,990,957
Claims and benefits expense	-	1,335,519,585	-	18,906,986	1,354,426,571	257,690,181
Interest on bonds payable	36,353,983	-	-	-	36,353,983	-
Materials or supplies used	-	-	-	2,538,439	2,538,439	1,105,868
Servicers' fees	141,910	-	-	-	141,910	-
Depreciation	23,277	-	1,477	418,730	443,484	5,650,966
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	137,933	-	169,256	-	307,189	-
Insurance premiums	-	-	-	-	-	98,654,774
<b>Total operating expenses</b>	<b>41,654,263</b>	<b>1,335,519,585</b>	<b>1,352,866</b>	<b>56,427,547</b>	<b>1,434,954,261</b>	<b>437,893,731</b>
Operating income (loss)	(15,050,293)	(527,566,474)	14,141,779	18,232,220	(510,242,768)	(16,013,191)
<b>Nonoperating Revenues (Expenses)</b>						
Interest and investment income	20,378,829	27,142,493	558,341	(10,064,968)	38,014,695	(82,400)
Interest expense	-	-	(4,826,671)	(344,662)	(5,171,333)	(384,106)
Bond issuance costs amortization	-	-	-	(3,446)	(3,446)	-
Federal grant revenue	2,950,500	5,495,529	-	2,189,478	10,635,507	-
Federal grant expense	(2,725,935)	-	-	-	(2,725,935)	-
Reed Act expenses	-	(523,264)	-	-	(523,264)	-
Gain (loss) on disposal of assets	-	-	-	21,115	21,115	(187,076)
Arbitrage rebate	-	-	(38,157)	-	(38,157)	-
<b>Total nonoperating revenues (expenses)</b>	<b>20,603,394</b>	<b>32,114,758</b>	<b>(4,306,487)</b>	<b>(8,202,483)</b>	<b>40,209,182</b>	<b>(653,582)</b>
Income (loss) before transfers	5,553,101	(495,451,716)	9,835,292	10,029,737	(470,033,586)	(16,666,773)
<b>Transfers</b>						
Transfers in	-	-	-	2,013,446	2,013,446	2,304,667
Transfers out	-	(1,515,048)	(1,535,394)	(22,875,296)	(25,925,738)	(100,000)
Change in net assets	5,553,101	(496,966,764)	8,299,898	(10,832,113)	(493,945,878)	(14,462,106)
Net assets, July 1	174,847,888	867,243,699	224,984,378	44,215,392		62,900,754
<b>Net assets, June 30</b>	<b>\$180,400,989</b>	<b>\$ 370,276,935</b>	<b>\$233,284,276</b>	<b>\$33,383,279</b>		<b>\$ 48,438,648</b>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities (98,129)  
\$(494,044,007)

# Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 9,258,197	\$ 340,305,366	\$ -	\$ 70,058,461	\$ 419,622,024	\$ 90,098,485
Receipts for interfund services provided	3,650	2,086,736	-	3,487,560	5,577,946	252,584,127
Receipts from component units	-	-	-	-	-	76,935,755
Receipts of principal on loans/notes	41,573,881	-	19,150,860	318,814	61,043,555	-
Receipts of interest on loans/notes	25,265,353	-	9,907,143	120,587	35,293,083	-
Receipts from federal government	-	463,904,746	6,521,291	-	470,426,037	-
Payments to suppliers, other governments and beneficiaries	(6,882,771)	(1,305,670,475)	(621,399)	(22,366,092)	(1,335,540,737)	(369,017,494)
Payments to employees	(1,928,915)	-	(453,266)	(17,936,210)	(20,318,391)	(33,447,065)
Payments for interfund services	(313,580)	-	(109,862)	(6,297,424)	(6,720,866)	(19,356,574)
Payments to component units	-	-	-	(3,084,513)	(3,084,513)	(146,692)
Purchase of loans and notes	(53,727,067)	-	(7,755,729)	(351,328)	(61,834,124)	-
Net cash provided by (used for) operating activities	13,248,748	(499,373,627)	26,639,038	23,949,855	(435,535,986)	(2,349,458)
<b>Cash flows from noncapital financing activities</b>						
Grant receipts	-	5,495,529	-	2,321,526	7,817,055	-
Proceeds from sale of bonds	59,180,000	-	4,308,243	-	63,488,243	-
Transfers and advances from other funds	2,950,500	-	-	2,032,005	4,982,505	166,363
Principal paid on noncapital debt	(33,592,000)	-	(6,980,000)	-	(40,572,000)	-
Interest paid on noncapital debt	(36,495,807)	-	(4,887,514)	-	(41,383,321)	-
Transfers and advances to other funds	-	(1,368,530)	(1,367,692)	(23,766,871)	(26,503,093)	(100,000)
Other noncapital financing activities	(3,497,597)	(523,264)	-	(589)	(4,021,450)	-
Net cash provided by (used for) noncapital financing activities	(11,454,904)	3,603,735	(8,926,963)	(19,413,929)	(36,192,061)	66,363
<b>Cash flows from capital and related financing activities</b>						
Transfers from (reversions to) other funds	-	-	-	-	-	164,149
Proceeds from sale of capital assets	-	-	-	25,575	25,575	170,419
Purchase of capital assets	-	-	-	(192,665)	(192,665)	(2,619,110)
Principal paid on capital debt	-	-	-	(136,762)	(136,762)	(4,903,067)
Interest paid on capital debt	-	-	-	(385,249)	(385,249)	(170,315)
Payments on construction projects	-	-	-	(2,895,598)	(2,895,598)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	(3,584,699)	(3,584,699)	(7,357,924)
<b>Cash flows from investing activities</b>						
Proceeds from sale of investments	321,001,573	-	-	129,246,259	450,247,832	-
Purchase of investments	(343,739,550)	-	-	(129,049,016)	(472,788,566)	-
Interest and dividends received	20,453,877	32,632,118	466,330	3,350,162	56,902,487	203,775
Net cash provided by (used for) investing activities	(2,284,100)	32,632,118	466,330	3,547,405	34,361,753	203,775
Net increase (decrease) in cash	(490,256)	(463,137,774)	18,178,405	4,498,632	(440,950,993)	(9,437,244)
Cash and cash equivalents, July 1	697,945	745,554,825	46,750,444	53,137,800	846,141,014	127,173,048
<b>Cash and cash equivalents, June 30</b>	<b>\$ 207,689</b>	<b>\$ 282,417,051</b>	<b>\$ 64,928,849</b>	<b>\$ 57,636,432</b>	<b>\$ 405,190,021</b>	<b>\$ 117,735,804</b>



NEVADA

	Enterprise Funds				Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds		
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>						
Operating income (loss)	\$ (15,050,293)	\$ (527,566,474)	\$ 14,141,779	\$ 18,232,220	\$ (510,242,768)	\$ (16,013,191)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>						
Depreciation	23,277	-	1,477	418,730	443,484	5,650,966
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	137,933	-	169,256	-	307,189	-
Interest on bonds payable	36,353,983	-	-	-	36,353,983	-
Decrease (increase) in loans and notes receivable	(10,280,004)	-	11,392,297	(32,842)	1,079,451	-
Decrease (increase) in accrued interest and receivables	(49,876)	(1,656,263)	936,622	(506,852)	(1,276,369)	(2,017,942)
Decrease (increase) in inventory, deferred charges, other assets	-	-	-	74,559	74,559	(158,707)
Increase (decrease) in accounts payable, accruals, other liabilities	2,113,728	29,849,110	(2,393)	5,764,040	37,724,485	8,657,035
Total adjustments	28,299,041	28,192,847	12,497,259	5,717,635	74,706,782	13,663,733
Net cash provided by (used for) operating activities	\$ 13,248,748	\$ (499,373,627)	\$ 26,639,038	\$ 23,949,855	\$ (435,535,986)	\$ (2,349,458)
<b>Noncash investing, capital and financing activities</b>						
Capital assets leased or acquired	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548,179
Gain (loss) on disposal of assets	-	-	-	-	-	(187,076)
Construction completed or in progress	-	-	-	26,177	26,177	-
Increase (decrease) in fair value of investments	(111,061)	-	(918,996)	(14,173,925)	(15,203,982)	(1,690,517)

The notes to the financial statements are an integral part of this statement.

**Statement of Fiduciary Net Assets  
Fiduciary Funds**



NEVADA

June 30, 2009

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 546,814	\$ -	\$ 4,914,669	\$ 109,949,654
Cash in custody of other officials	423,235,146	6,881,214	4,209,944	79,594,184
<i>Investments:</i>				
Investments	21,139,856	1,039,754,017	4,564,095,157	154,842,201
Fixed income securities	5,545,761,044	-	-	-
Marketable equity securities	7,709,766,670	-	-	-
International securities	3,950,469,133	-	-	-
Mortgage loans	6,696	-	-	-
Real estate	907,413,470	-	-	-
Alternative investments	466,149,311	-	-	-
Collateral on loaned securities	1,760,287,271	-	-	-
<i>Receivables:</i>				
Accrued interest and dividends	86,963,472	3,725,818	542,091	-
Taxes receivable	-	-	-	10,444,666
Trades pending settlement	141,747,235	95,312	746,914	-
Intergovernmental receivables	85,027,607	-	56,527	215,958
Contributions receivable	-	-	4,979,083	-
Other receivables	-	-	-	35,834,794
Due from other funds	837,615	-	175,781	349,995,076
Due from fiduciary funds	17,407,597	-	-	11,583,316
Due from component unit	1,031,255	-	-	-
Other assets	1,962,283	-	-	-
Furniture and equipment	34,031,521	-	-	-
Accumulated depreciation	(29,135,098)	-	-	-
<b>Total assets</b>	<b>21,124,648,898</b>	<b>1,050,456,361</b>	<b>4,579,720,166</b>	<b>752,459,849</b>
<b>Liabilities</b>				
<i>Accounts payable and accruals:</i>				
Accounts payable	13,404,590	147,776	1,478,593	-
Accrued payroll and related liabilities	-	-	-	7,250
Intergovernmental payables	-	11,243	8,069	428,818,801
Redemptions payable	-	-	1,422,920	-
Trades pending settlement	429,533,891	6,629,423	2,772,154	-
Bank overdraft	-	-	580,000	-
Obligations under securities lending	1,847,667,862	-	-	-
Due to other funds	22,841	400,668	613,568	-
Due to fiduciary funds	-	-	14,044	28,976,869
<i>Other liabilities:</i>				
Deposits	-	-	-	288,069,795
Other liabilities	231,466	-	-	6,587,134
<b>Total liabilities</b>	<b>2,290,860,650</b>	<b>7,189,110</b>	<b>6,889,348</b>	<b>752,459,849</b>
<b>Net Assets</b>				
<i>Held in trust for:</i>				
Employees' pension benefits	18,810,252,294	-	-	-
OPEB benefits	23,535,954	-	-	-
Pool participants	-	1,043,267,251	-	-
Individuals	-	-	4,572,830,818	-
<b>Total net assets</b>	<b>\$ 18,833,788,248</b>	<b>\$ 1,043,267,251</b>	<b>\$ 4,572,830,818</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Changes in Fiduciary Net Assets Fiduciary Funds



NEVADA

For the Fiscal Year Ended June 30, 2009

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>Additions</b>			
<i>Contributions:</i>			
Employer	\$ 1,254,116,898	\$ -	\$ -
Plan members	93,678,604	-	-
Participants	-	-	1,418,555,203
Repayment and purchase of service	28,116,522	-	-
<b>Total contributions</b>	<b>1,375,912,024</b>	<b>-</b>	<b>1,418,555,203</b>
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	(4,187,788,436)	1,885,883	(922,670,663)
Interest, dividends	582,745,052	28,056,739	127,177,217
Securities lending income	43,686,340	-	-
Other	54,285,040	-	-
	(3,507,072,004)	29,942,622	(795,493,446)
Less investment expense:			
Cost of securities lending	(24,420,539)	-	-
Other	(24,069,799)	(6,349)	-
<b>Net investment income</b>	<b>(3,555,562,342)</b>	<b>29,936,273</b>	<b>(795,493,446)</b>
<i>Other:</i>			
Investment from local governments	-	1,021,931,979	-
Reinvestment from interest income	-	12,169,345	-
Other	2,505,070	934	-
<b>Total other</b>	<b>2,505,070</b>	<b>1,034,102,258</b>	<b>-</b>
<b>Total additions</b>	<b>(2,177,145,248)</b>	<b>1,064,038,531</b>	<b>623,061,757</b>
<b>Deductions</b>			
Principal redeemed	-	1,211,919,911	753,090,904
Benefit payments	1,222,759,755	-	20,145,162
Refunds	18,585,067	-	-
Contribution distributions	3,791,831	-	-
Dividends to investors	-	12,625,094	-
Administrative expense	9,860,477	657,232	18,541,727
<b>Total deductions</b>	<b>1,254,997,130</b>	<b>1,225,202,237</b>	<b>791,777,793</b>
Change in net assets	(3,432,142,378)	(161,163,706)	(168,716,036)
Net assets, July 1	22,265,930,626	1,204,430,957	4,741,546,854
<b>Net assets, June 30</b>	<b>\$ 18,833,788,248</b>	<b>\$ 1,043,267,251</b>	<b>\$ 4,572,830,818</b>

The notes to the financial statements are an integral part of this statement.

**Note 1 - Summary of Significant Accounting Policies****A. Reporting Entity**

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB Statement No. 14 requires inclusion in the reporting entity if they are fiscally dependent on the State or if it would be misleading to exclude the entity.

**Blended Component Units:** The following blended component units are entities that are legally separate from the State. However, since the State Legislature retains certain significant governing powers over these entities, they are reported as if they are part of the primary government under the provisions of GASB Statement No. 14.

The *Public Employees' Retirement System (PERS)*, the *Legislators' Retirement System (LRS)* and the *Judicial Retirement System (JRS)* are administered by a seven-member board appointed by the Governor. PERS is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system established by the Nevada Legislature in 1947 to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. LRS is the administrator of a single-employer public employees' defined benefit retirement system established in 1967 by the Nevada Legislature to provide a reasonable base income to Legislators at retirement. JRS is the administrator of an agent multiple-employer public employees' defined benefit retirement system established by the Nevada Legislature

to provide a reasonable base income to justices of the Supreme Court, district judges, municipal court judges, and justices of the peace at retirement.

The *Retirement Benefits Investment Fund (RBIF)* was created by NRS 355.220 (2) for the sole purpose of providing an investment vehicle for monies belonging to either the State or local government other post employment benefit trust funds. RBIF is administered by the Retirement Benefits Investment Board, which consists of the same members of the Public Employees' Retirement Board.

*Nevada Real Property Corporation* is a legally separate entity whose board of directors are exclusively State employees or officials. It was incorporated to finance certain construction projects. Such projects include office buildings, a transitional residential facility and a warehouse, all financed by the issuance of certificates of participation. Upon completion of construction, the Corporation leases the facilities to the State. The State reports these financial transactions as part of the primary government using the blended method.

**Discretely Presented Component Units:** Per the provisions of GASB Statement No. 14, a component unit should be included in the reporting entity financial statements using the discrete presentation method if the component unit's governing body is not substantively the same as the governing body of the primary government, and the component unit does not provide services entirely or almost entirely to the primary government. The following discretely presented component units are reported in separate columns in the basic financial statements to emphasize they are legally separate from the State.

The *Nevada System of Higher Education (NSHE)* is governed by a Board of Regents elected by the voters. However, NSHE is fiscally dependent upon the State because of appropriations from the State Legislature, the Legislative approval of the budget for those appropriations, the levying of taxes, if necessary, and the issuance of debt to support NSHE. Because NSHE has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

The *Colorado River Commission (CRC)* is a legally separate entity responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three appointed by the board of directors of the Southern Nevada Water Authority. Bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides



*(Note 1 Continued)*

services to citizens through the distribution and sale of electric power. As CRC has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

Complete financial statements for each of the individual component units, with the exception of the *Nevada Real Property Corporation*, which has no other financial activity than that described above, may be obtained at that entity's administrative offices:

- *Public Employees' Retirement System  
Carson City, NV*
- *Retirement Benefits Investment Fund  
Carson City, NV*
- *Legislators' Retirement System  
Carson City, NV*
- *Judicial Retirement System  
Carson City, NV*
- *Nevada System of Higher Education  
Reno, NV*
- *Colorado River Commission  
Las Vegas, NV*

**Related Organizations:** The Governor is responsible for appointing the members of many occupational licensing boards. The State's accountability for these boards does not extend beyond making the appointments and thus these boards are excluded from this report. The State does not exercise financial or administrative control over the excluded occupational licensing boards.

**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements:** The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Inter-fund receivables and payables between governmental funds and enterprise funds are reported as internal balances in the government-wide statement of net assets. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Additional disclosure related to the amount of net assets restricted by enabling legislation is provided in Note 11.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Certain centralized costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues. In general, internal activity has been eliminated from the Statement of Activities. Overhead costs have been removed to minimize the double counting of internal activities, but interfund services provided and used have been retained, as their elimination would distort the measurement of the cost of individual functional activities. Internal activities of a reimbursement type nature reduce the expenses of the reimbursed programs.

**Fund Financial Statements:** Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements with non-major funds being combined into a single column.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Measurement Focus and Basis of Accounting:** The government-wide statements are reported using the economic



*(Note 1 Continued)*

resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

GASB Statement No. 20 requires business-type activities and enterprise funds to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements, all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989. As permitted by the Statement, the State has elected not to apply FASB pronouncements issued after that date.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal, ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual; that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter. The State considers revenues as available if they are collected within 60 days after year-end. Those revenues susceptible to accrual are gaming revenues, sales taxes, other taxes as described in Note 12, interest revenue and charges for services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

Expenditures generally are recorded when the related fund liability is incurred. However, expenditures for principal and interest on long-term debt are recorded as fund liabilities only when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Inventories and prepaids are reported using the consumption method.

The State reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when grant monies are received before

the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

Restricted revenues are those monies that are legally segregated for specific purposes. For example, a portion of a particular property tax levy may be legally pledged to support debt service. The general policy of the State is to expend unrestricted revenues first in a fund, followed by restricted revenues. However, there are exceptions to this policy in the Consolidated Bond Interest and Redemption fund and all the Capital Projects funds.

**Financial Statement Presentation:** The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *State Highway Fund* accounts for the maintenance, regulation, and construction of public highways and is funded through vehicle fuel taxes, federal funds, and other charges.

The *Municipal Bond Bank Fund* accounts for revenues and expenditures associated with buying local governments' bonds with proceeds of State general obligation bonds.

The *Consolidated Bond Interest and Redemption Fund* accumulates monies for the payment of leases and of principal and interest on general obligation bonds of the State.

The *Stabilize the Operations of State Government Fund*, commonly referred to as the "Rainy Day Fund", accounts for funds appropriated by the Legislature to be expended only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or the Legislature and Governor declare that a fiscal emergency exists.

The State reports the following major enterprise funds:

The *Housing Division Fund* accounts for the State program to assist private lenders in providing low interest housing loans to low- and moderate-income households. This program is financed through the sale of bonds.

The *Unemployment Compensation Fund* accounts for the payment of unemployment compensation benefits.

The *Water Projects Loans Fund* accounts for revenues and expenses associated with operating a revolving fund to finance local government pollution control projects, and with operating revolving and set-aside program funds to finance local public water systems' safe drinking water projects.



(Note 1 Continued)

Additionally, the State reports the following fund types:

**Proprietary Fund Types:**

*Enterprise Funds* - report the activities for which fees are charged to external users for goods or services such as workers' compensation, insurance, prison industry and higher education tuition trust.

*Internal Service Funds* - provide goods or services primarily to other agencies or funds of the State rather than to the general public. These goods and services include communications, purchasing, printing and motor pool. In the government-wide statements, internal service funds are included with governmental activities.

**Fiduciary Fund Types:**

*Pension and Other Employee Benefit Trust Funds* - report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans and other post-employment benefit plans.

*Investment Trust Funds* - report resources received from local governments that are either pooled in an external investment portfolio for the benefit of all participants or separated into subaccounts of identified investments allocated to specific participating local governments. Examples include the Local Government Investment Pool, the Nevada Enhanced Savings Term and the Retirement Benefits Investment Fund.

*Private Purpose Trust Funds* - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the Prisoners' Personal Property and the Nevada College Savings Plan.

*Agency Funds* - report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples of funds in this category include motor vehicle, veterans' custodial and child welfare.

**D. Assets, Liabilities and Net Assets/Fund Balance**

*Cash and Pooled Investments* - The State Treasurer manages a cash pool where all temporary surplus cash is invested. These investments are reported on the Statement of Net Assets and Balance Sheet as cash and pooled investments. Earnings from these pooled investments are credited to the General Fund and certain other funds that have specific statutory authority to receive a prorated share based on daily cash balances. Also included in this category is cash held by departments in petty cash funds and in bank accounts outside the Treasurer's cash management pool. The operations and investments of the cash pool are described in Note 3.

Cash and cash equivalents are defined as bank accounts, petty cash, money market demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are reported in the Statement of Cash Flows for proprietary fund types.

*Investments* - Investments are stated at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. Short-term investments are generally reported at cost, which approximates fair value. Securities, traded on a national or international exchange, are valued at the last reported sale price of the day. International securities prices incorporate end-of-day exchange rates. The fair value of real estate investments is based on estimated current value, and MAI (Member Appraisal Institute) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

The Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund are investment trust funds as defined in Governmental Accounting Standards Board Statement No. 31. The investments of the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust are subject to the general limitation of section 355.170 of Nevada Revised Statutes. The investments of the Retirement Benefits Investment Fund are governed by the prudent person standard, as set forth by NRS 286.682. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. Wells Fargo Trust Operations is the custodian and transfer agent for both the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust funds. The Bank of New York Mellon is the custodian and transfer agent for the Retirement Benefits Investment Fund.

Derivative securities are priced and accounted for at fair value. For exchange-traded securities, such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives, such as collateralized mortgage obligations (CMO), mortgage backed securities, and asset backed securities, commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offset in the forward markets. Investments are discussed further in Note 3.

*Receivables* - Receivables represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portions considered "available" (i.e., received by the State within approximately 60 days after year-end) are recorded as revenue; the remainder is recorded as deferred revenue. Receivables in proprietary fund types have arisen in the ordinary course of business. All receivables are shown net of an allowance for uncollectible accounts.



(Note 1 Continued)

Property taxes are levied July 1 on property values assessed by the prior January 1. Property tax billings are payable in quarterly installments on the third Monday in August and the first Monday in October, January and March, after which time the bill is delinquent.

Significant receivable balances not expected to be collected within one year are presented in Note 4.

*Interfund Transactions* - The State has two types of interfund transactions:

1. Services rendered and employee benefit contributions are accounted for as revenues, expenditures/expenses in the funds involved.
2. Operating appropriations and subsidies are accounted for as transfers in the funds involved.

Transfers and due from/due to other funds are presented in Note 5.

*Inventories* - Inventories are stated at cost on the first-in, first-out basis. Inventory in the State Highway Fund, a special revenue fund, consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventory items in the funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

*Prepaid Expenses* - Prepaid expenses reflect payments for costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. Prepaid items in the funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

*Advances to Other Funds* - Long-term interfund advances are recorded by the advancing fund as a receivable and as a reservation of fund balance to maintain the accountability and to disclose properly the amount available for appropriation (unreserved fund balance). Repayments are credited to the receivable and corresponding reductions are made in the reserve. A summary of interfund advances is presented in Note 5.

*Capital Assets and Depreciation* - An inventory of State-owned land, buildings and equipment was developed in 1985. All capital assets are recorded in the Statement of Net Assets at historical cost or estimated historical cost, based on acquisition of comparable property or agency records, if actual historical cost is not available. Donated capital assets are stated at appraised fair value at the time of donation or estimated fair value at time of donation, based on acquisition of comparable property, if appraised fair value is not available. The government defines capital assets as assets with a unit cost of \$5,000 or more for furniture and equipment, or \$100,000 or more for buildings and improvements, and an estimated useful life in excess of one year. Interest incurred during construction is only capitalized in proprietary funds.

Most capital assets are depreciated principally on a straight-line basis over estimated useful lives of 40 years for structures and 3 to 30 years for improvements, furniture and equipment. The State's significant infrastructure assets utilize the modified approach in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for buildings, 15 years for land improvements and 3 to 18 years for library books, machinery and equipment.

Additional disclosure related to capital assets is provided in Note 7.

*Compensated Absences* - Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report compensated absences expected to be liquidated with expendable available financial resources as an expenditure and a fund liability in the fund financial statements. On the Statement of Net Assets, the total accrued compensated absences for both proprietary and governmental fund types is reported.

*Deferred Revenues* - Deferred revenues in the General Fund consist primarily of refundable gaming taxes and fees and nonexchange transactions for which the revenue is measurable but not available. Deferred revenue in the debt service funds consists primarily of amounts due from other governments to retire long-term debt.

*Long-Term Obligations* - In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issu-



*(Note 1 Continued)*

ance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 8.

*Net Assets/Fund Balance* - The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

*Fund Balance Reservations and Designations* - In the fund financial statements, governmental funds classify fund balances as either reserved or unreserved. Reserved fund balances are those amounts that are not available for appropriation or are legally restricted by outside parties for a specific use. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Management may designate a portion of the unreserved fund balance for a specific purpose, but designations are tentative management plans that are subject to change.

The nature of reserved and designated fund balances is explained below:

"Encumbrances and contracts" indicates assets required to meet future payment obligations.

"Inventory" indicates consumable supplies held in stock by governmental fund types.

"Advances" indicates assets, which have been advanced to other funds on a long-term basis.

"Funds held as permanent investments" indicates assets permanently invested for the purpose of the fund.

"Fiscal emergency" indicates assets restricted for use in a State fiscal emergency as declared by the Legislature and the Governor.

"Debt service" indicates assets reserved for the retirement of long-term obligations.

"Other" generally indicates assets that, because of their nature, are unavailable for expenditures.

"Balances forward" indicates unexpended funds brought forward to the next year, which are designated for general government; health and social services; education and support services; law, justice and public safety; regulation of business; transportation or recreation and resource development purposes.

Note 11 provides a disaggregation of governmental fund balances, reserved for other, and governmental fund balances, unreserved, designated.

**E. Intergovernmental Assistance Programs**

The State participates in various federal award programs. Federal awards are received by the State in both cash and noncash forms. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized (as they become susceptible to accrual [measurable and available] under the modified accrual basis of accounting.) The State considers revenues as available if they are collected within 60 days after year-end. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

**Note 2 - Budgetary and Legal Compliance**

**Budgetary Process and Control**

The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than 14 calendar days before each regular session, which convenes every odd-numbered year. The presented budget spans the next two fiscal years and contains the detailed budgetary estimates of revenues and expenditures. The Legislature enacts the budget through passage of the General Appropriations Act, which allows expenditures from unrestricted revenues, and the Authorized Expenditures Act, which allows expenditures from revenues collected for specific purposes. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

The legal level of budgetary control, the level at which appropriations are approved and the level at which over expenditure of appropriations or transfers of appropriated amounts may

not occur without Legislative action, is at the total program level within each department or agency.

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of \$20,000 which have the affect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or \$50,000, whichever is less. Revisions not exceeding this threshold require only budget director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Fund, a Special Reve-



*(Note 2 Continued)*

nue Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$2,251,682 were made in the 2009 fiscal year. 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.

Budgets are legally adopted for the General Fund and Special Revenue Funds, except for the Nevada Real Property Corporation special revenue fund. In addition, certain activity within such funds may be unbudgeted. The State's budget is prepared principally on a modified accrual basis with the following exceptions:

1. Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
2. Advances to other funds are considered expenditures.

3. Repayments of such advances are considered revenues.
4. Certain prepaid/deferred assets are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain deferred revenue is considered revenue for budgetary purposes.
5. Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.
6. Revenue from grants is only recognized when it is received in cash.
7. Encumbrances for goods or services not received by fiscal year end are considered an expenditure of the current period if received and paid within 45 days.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

### **Note 3 - Deposits and Investments**

The Nevada Revised Statutes and Nevada Administrative Code, as well as procedures approved by the State Board of Finance, govern deposits and investing activities for the primary government and its discretely presented component units. The Office of the State Treasurer is responsible for oversight of the deposits and investments for the State of Nevada.

#### **A. Deposits**

*Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds* - the State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2009, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$308,990,308, of which \$3,155,125 was uncollateralized and uninsured.

*Component Units* - at June 30, 2009, the bank balance of the component units totaled \$91,638,000 of which \$16,349,000 was uncollateralized and uninsured.

#### **B. Investments**

Nevada Revised Statute (NRS) 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, money market mutual funds whose policies meet the criteria set forth in the statute, United States treasury securities, and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements. The State's Permanent School Fund is further limited by statute as to the types of investments in which it may invest (NRS 355.060). Cash and Investments are also discussed at Note 1 under Assets, Liabilities and Net Assets/Fund Balance.

The State Board of Finance reviews the State's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer and two members appointed by the governor, one of which must be actively engaged in commercial banking in the State.

Investments held in the Local Government Investment Pool (LGIP), Retirement Benefits Investment Fund (RBIF), and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and included in the following tables. LGIP, RBIF, and NVEST are investment trust funds and discussed further under Note 1, Assets, Liabilities and Net Assets/Fund Balance. LGIP and NVEST are governed by the Nevada State Board of Finance and administered by the Nevada



(Note 3 Continued)

State Treasurer. Complete financial statements for LGIP and NVEST may be obtained from the State Treasurer's Office, 101 N. Carson Street, Suite 4, Carson City, NV 89701. RBIF is administrated by the Retirement Benefits Investment Board. The audited financial statements of RBIF may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

*Primary Government, Pension and Other Employee Benefit Trust, and Investment Trust Funds* - The State does not have a written interest rate risk policy. However, the benchmark

used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Capital Aggregate Index benchmark. If securities are purchased outside the Barclays Capital Aggregate Index, they must be of investment grade rating by at least two of Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2009 (expressed in thousands):

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 4,676,581	\$ 950,839	\$ 988,659	\$ 563,425	\$ 2,173,658
U. S. agencies	2,250,517	1,393,175	489,265	27,643	340,434
Mutual funds	13,763	13,763	-	-	-
Repurchase agreements	59,064	59,064	-	-	-
Asset backed corporate securities	123,964	1,192	58,305	18,600	45,867
Corporate bonds and notes	1,368,441	37,778	485,469	490,980	354,214
Fixed income securities	176,330	103,430	900	200	71,800
International investments	1,028,101	14,843	454,471	283,082	275,705
Municipal bonds	591,694	-	13,541	20,099	558,054
Investment agreements	14,047	-	-	-	14,047
Other short-term investments	312,692	312,692	-	-	-
Collateralized mortgage obligations	335,688	2,270	12,611	44,278	276,529
<b>Total</b>	<b>\$ 10,950,882</b>	<b>\$ 2,889,046</b>	<b>\$ 2,503,221</b>	<b>\$ 1,448,307</b>	<b>\$ 4,110,308</b>

*Private Purpose Trust* - Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. Investments having interest rate risk are all invested in mutual funds with various maturities from 13 days to 9.1 years and are not included in the table above.

*Component Units* - The Nevada System of Higher Education's (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds and private commingled funds. The following table provides the segmented time distribution for these investments at June 30, 2009 (expressed in thousands):

Less than 1 year	\$ 481,014
1 to 5 years	44,084
6 to 10 years	14,861
More than 10 years	17,528

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of Nevada.

*Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds* - NRS 355.140, the State Treasurer's investment policy, and investment policies of the pension and other employee benefit trust and investment trust funds all address credit risk. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Bankers' Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 3 Continued)

In addition to the above provisions, investment policies for the pension and other employee benefit trust funds allow investment in corporate bonds, assets-related instruments, and foreign debt issued in the U.S. rated by at least two of the following: Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). Nevada College Savings Plan, a private purpose trust, currently has

no formal investment policy with regard to credit risk for the investments. Investments having credit risk are all invested in unrated mutual funds that are included in the table below.

The State's investments as of June 30, 2009 were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (expressed in thousands):

	Fair Value	Quality Rating							Unrated
		AAA	AA	A	BBB	BB	B	CCC	
U.S. agencies	\$ 2,211,379	\$ 1,320,166	\$ -	\$ 891,213	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual funds	4,577,661	13,490	-	-	-	-	-	-	4,564,171
Asset backed corporate securities	105,164	91,746	3,500	6,300	3,618	-	-	-	-
Corporate bonds and notes	1,365,179	54,687	167,956	648,442	467,900	18,000	4,500	-	3,694
Fixed income securities	158,749	25,200	-	-	-	-	-	-	133,549
International investments	1,017,301	365,542	428,276	164,439	30,700	-	-	-	28,344
Municipal bonds	591,693	239	591,263	191	-	-	-	-	-
Investment agreements	14,047	671	1,620	10,941	-	619	-	196	-
Other short-term investments	476,507	154,308	-	-	-	-	14,000	-	308,199
Collateralized mortgage obligations	266,885	220,816	5,169	5,600	6,700	1,400	3,700	2,700	20,800
<b>Total</b>	<b>\$ 10,784,565</b>	<b>\$ 2,246,865</b>	<b>\$ 1,197,784</b>	<b>\$ 1,727,126</b>	<b>\$ 508,918</b>	<b>\$ 20,019</b>	<b>\$ 22,200</b>	<b>\$ 2,896</b>	<b>\$ 5,058,757</b>

As of June 30, 2009, the State of Nevada held equity and debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the State's debt securities will not be known until the bankruptcy proceedings are completed. However, equity and debt obligations of Lehman Brothers Holdings Inc. held by the State were marked to market, and the loss recognized.

*Component Unit* - the Nevada System of Higher Education's (NSHE) policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2009 is as follows (expressed in thousands):

	Fair Value	Unrated
Mutual funds publicly traded	\$ 197,003	\$ 197,003
Partnerships	151,991	151,991
Stocks	11,506	11,506
Endowment cash/cash equivalents	277	277
Private commingled funds	196,710	196,710
<b>Total</b>	<b>\$ 557,487</b>	<b>\$ 557,487</b>

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of the Housing Division and the Investment Trust Funds. At June 30, 2009, the following investments exceeded 5% of the Primary Government and Investment Trust Funds' total investments (expressed in thousands):

	Fair Value	Percentage
<b>Primary government</b>		
Federal Farm Credit Bank	\$ 529,649	15.85%
Federal Home Loan Bank	927,138	27.75%
So. Nevada Water Authority	242,650	7.26%
United States Agencies	334,816	10.02%
United States Treasury Bills	421,882	12.63%
<b>Investment Trust Funds</b>		
Federal Farm Credit Bank	107,436	10.32%
Federal National Mortgage Assoc.	74,268	7.14%
Federal Home Loan Bank	243,872	23.43%
Federal Home Loan Mortgage Corp	70,351	6.76%
Repurchase Agreement	59,064	5.68%
United States Treasury Bills	324,765	31.21%
United States Treasury Notes	71,799	6.90%

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 3 Continued)

At June 30, 2009, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	\$ 7,254	8.36%
Federal National Mortgage Association	9,116	10.51%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative providers. As of June 30, 2009, the Housing Division's investments in Fannie Mae and Ginnie Mae are 23.01% and 39.85% respectively, of Housing Division's total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Division is less concerned about a concentration risk on these investments.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

*Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds* - the primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any deposits or investments in foreign currency. The Public Employees' Retirement System of Nevada, the Legislators' Retirement System of Nevada, the Judicial Retirement System of Nevada, and the Retirement Benefits Investment Fund do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. The following table summarizes the pension and other employee benefit trust funds and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2009 (expressed in thousands):

	Currency by Investment and Fair Value			
	Fixed Income	Equity	Derivatives	Cash
Australian Dollar	\$ 3,412	\$ 219,700	\$ 1,001	\$ 1,109
British Pound Sterling	71,314	615,700	(210)	4,304
Canadian Dollar	18,767	-	(100)	1,520
Danish Krone	7,028	26,200	(100)	303
Euro Currency	439,990	987,000	5,225	(7,392)
Hong Kong Dollar	-	76,800	-	400
Japanese Yen	350,592	728,600	(2,901)	2,507
Malaysian Ringgit	2,114	-	-	201
New Zealand Dollar	-	2,700	-	100
Norwegian Krone	1,209	22,800	-	201
Polish Zloty	6,924	-	101	305
Singapore Dollar	1,412	40,200	(100)	903
Swedish Krona	5,419	71,800	(900)	1,504
Swiss Franc	3,120	220,700	700	(596)
<b>Total</b>	<b>\$ 911,301</b>	<b>\$ 3,012,200</b>	<b>\$ 2,716</b>	<b>\$ 5,369</b>

*Component Unit* - the Nevada System of Higher Education does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$63,669,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2009.

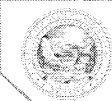
### C. Securities Lending

*Primary Government and Investment Trust Funds* - NRS 355.135 authorizes the State Treasurer to participate in securities lending transactions where the State's U.S. Government and agency securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as

collateral for securities of the type on loan at year-end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis.

At year-end, the State has no credit risk exposure to borrowers because the amount the State owes to borrowers exceeds the amounts the borrowers owe to the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. The contract with the securities lending agent requires the agent to indemnify the State for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

There are no restrictions on the amount of securities that can be loaned. Either the State or the borrower can terminate all open securities loans on demand. Either the State or



(Note 3 Continued)

the borrower can terminate all term securities loans with five days notice. Cash collateral is invested in accordance with the investment guidelines approved by the Board of Finance. The maturities of the investments made with cash collateral generally match the maturities of the securities loans.

There are no securities on loan at June 30, 2009 (excluding PERS).

*Public Employees' Retirement System (PERS)* – The system also maintains a securities lending program under the authority of the “prudent person” standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income and equity securities, and international fixed income and equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. Collateral received must equal at least 102% of the market value of the underlying security, plus accrued interest.

At year-end, PERS has no credit risk exposure to borrowers because the amount PERS owes to borrowers exceeds the amounts the borrowers owe to PERS. PERS has no discretionary authority to sell or pledge collateral received or securities loaned. The contract with the securities lending agent requires the agent to indemnify PERS for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

PERS may only loan up to 33 1/3% of its total portfolio. Either PERS or the borrower can terminate all securities loans on demand. The securities lending agent is authorized to invest collateral only in high quality, short-term investment vehicles in accordance with PERS' Investment Objectives and Policies. The maturities of the investments made with cash collateral generally match the maturities of the securities loaned.

The fair value of underlying securities on loan at June 30, 2009 is \$1,775,168,823. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2009, PERS has collateral consisting of cash and securities issued by the U.S. Government, its agencies or instrumentalities, in excess of the market value of investments held by brokers/dealers under a securities lending agreement.

#### D. Derivatives

*Public Employees' Retirement System (PERS)* - derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates, and are reported at fair value. The Retirement Board adopted a formal written policy on the use

of derivatives. The types of derivatives and limits on their use are defined in PERS Investment Objectives and Policies. PERS Investment Objectives and Policies restrict the use of certain types of derivatives. The use of exotic, highly structured notes such as inverse floaters, constant maturity treasury (CMT) floaters, range floaters, dual index floaters, and other speculative instruments tied to inappropriate reset provisions is specifically prohibited. PERS derivatives transactions are designed to reduce transaction costs, reduce foreign exchange risk, and manage market risks associated with the underlying securities. They may also reduce PERS exposure to changes in stock prices, interest rates, and currency exchange rates.

The principal categories of derivatives employed and their uses during the year were as follows:

*Foreign exchange forward contracts* – used to hedge currency risk of investments in foreign currencies.

*Exchange traded index futures* - used to equitize cash.

*Mortgage backed and asset backed securities* – used to provide diversification and enhance return (components of the Barclays Capital Aggregate Index).

Generally, derivatives are subject to market risk and counterparty risk. The derivatives utilized by PERS typically have no greater market risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the “other party” to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

Derivative securities are priced and accounted for at fair value. For exchange-traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMO), mortgage backed securities, and asset backed securities, commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

Management believes that it is unlikely that any of the derivatives in PERS portfolio could have a material adverse effect on the financial condition of PERS. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolio.

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

### Note 4 - Receivables

Receivable balances are disaggregated by type and presented separately in the financial statements. Significant receivable balances not expected to be collected within one year and not already classified in the fund financials are presented below (expressed in thousands):

	Governmental Funds	Nevada System of Higher Education
<b>As shown on financial statements:</b>		
Intergovernmental receivables	\$ 432,919	\$ 36,664
Notes/loans receivable	517	11,864
Due from Component Unit	6,379	-
<b>Total</b>	<b>\$ 439,815</b>	<b>\$ 48,528</b>
<b>Classified:</b>		
<b>Current portion</b>	<b>\$ 300,111</b>	<b>\$ 38,734</b>
<b>Noncurrent portion:</b>		
Intergovernmental receivables	133,492	-
Notes/loans receivable	437	9,794
Due from Component Unit	5,775	-
<b>Total noncurrent portion</b>	<b>139,704</b>	<b>9,794</b>
<b>Total</b>	<b>\$ 439,815</b>	<b>\$ 48,528</b>

Not included in the receivable balances are amounts considered to be uncollectible. \$41.2 million of taxes receivable in the governmental funds are estimated to be uncollectible. Uncollectible accounts receivable in the governmental funds total \$38.2 million. The proprietary funds have \$28.2 million in uncollectible accounts receivable of which \$16.8 million are from uninsured employer's fines and penalties, and \$11.1 million are from unemployment contributions and benefit overpayments.

### Note 5 - Interfund Transactions

#### A. Interfund Advances

A summary of interfund advances at June 30, 2009, follows (expressed in thousands):

	Advances From		
	Major Funds		
	Consolidated		Total
	General	Bond Interest and Redemption	
<b>Advances To</b>			
Nonmajor enterprise	\$ 403	\$ -	\$ 403
Internal service	3,050	1,657	4,707
<b>Total other funds</b>	<b>\$ 3,453</b>	<b>\$ 1,657</b>	<b>\$ 5,110</b>

Interfund advances are the portions of interfund balances that are *not* expected to be repaid within one year. The interfund balances that are expected to be repaid within one year are shown in the Due From/Due To summary below.

Advances are generally made to finance capital expenditures or as a loan for operating purposes.



(Note 5 Continued)

**B. Due From/Due To Other Funds and Component Units**

A summary of due from and due to other funds and component units at June 30, 2009, is shown below (expressed in thousands):

	Due To						
	Major Governmental Funds						
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Stabilize the Operations of State Gov't	Nonmajor Governmental	Total Governmental
<b>Due From</b>							
Major Governmental Funds:							
General	\$ -	\$ 9,421	\$ 13	\$ 1,368	\$ 177	\$ 24,687	\$ 35,666
State Highway	3,486	-	-	-	-	41	3,527
Municipal Bond Bank	38	-	-	406	-	-	444
Consolidated Bond Interest and Redemption	2,169	2,357	-	-	-	-	4,526
Nonmajor governmental	37,353	387	-	5,137	-	5,367	48,244
Total Governmental	43,046	12,165	13	6,911	177	30,095	92,407
Major Enterprise Funds:							
Housing Division	-	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	-	147	147
Water Projects Loans	550	-	-	-	-	-	550
Nonmajor enterprise	2,597	4	-	-	-	1	2,602
Total Enterprise	3,147	4	-	-	-	148	3,299
Internal Service	2,250	62	-	151	-	124	2,587
<b>Total other funds</b>	<b>\$ 48,443</b>	<b>\$ 12,231</b>	<b>\$ 13</b>	<b>\$ 7,062</b>	<b>\$ 177</b>	<b>\$ 30,367</b>	<b>\$ 98,293</b>
<b>Fiduciary</b>	<b>\$ 525</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 480</b>	<b>\$ 1,005</b>
Component Units:							
Nevada System of Higher Education	\$ 148	\$ -	\$ -	\$ 6,175	\$ -	\$ 55	\$ 6,378
Colorado River Commission	-	-	-	-	-	-	-
<b>Total Component Units</b>	<b>\$ 148</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,175</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 6,378</b>

	Due To						
	Major Enterprise Funds						
	Housing Division	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
<b>Due From</b>							
Major Governmental Funds:							
General	\$ 150	\$ 537	\$ 1,909	\$ 2,596	\$ 3,660	\$ 41,922	\$ 348,547
State Highway	-	-	7	7	2,825	6,359	1,476
Municipal Bond Bank	-	-	-	-	-	444	-
Consolidated Bond Interest and Redemption	-	-	-	-	-	4,526	-
Nonmajor governmental	-	-	9	9	428	48,681	198
Total Governmental	150	537	1,925	2,612	6,913	101,932	350,221
Major Enterprise Funds:							
Housing Division	-	-	-	-	3	3	-
Unemployment Comp	-	-	-	-	-	147	-
Water Projects Loans	-	-	-	-	-	550	-
Nonmajor enterprise	-	-	-	-	57	2,659	56
Total Enterprise	-	-	-	-	60	3,359	56
Internal Service	-	-	9	9	313	2,909	731
<b>Total other funds</b>	<b>\$ 150</b>	<b>\$ 537</b>	<b>\$ 1,934</b>	<b>\$ 2,621</b>	<b>\$ 7,286</b>	<b>\$ 108,200</b>	<b>\$ 351,008</b>
<b>Fiduciary</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9</b>	<b>\$ 9</b>	<b>\$ 23</b>	<b>\$ 1,037</b>	<b>\$ 28,991</b>
Component Units:							
Nevada System of Higher Education	\$ -	\$ -	\$ 1	\$ 1	\$ 1,159	\$ 7,538	\$ 1,031
Colorado River Commission	-	-	-	-	2	2	-
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1,161</b>	<b>\$ 7,540</b>	<b>\$ 1,031</b>



(Note 5 Continued)

<b>Due From</b>	<b>Due To</b>		
	<b>Component Units</b>		<b>Total Component Units</b>
	<b>Nevada System of Higher Education</b>	<b>Colorado River Commission</b>	
Major Governmental Funds:			
General	\$ 9,753	\$ 122	\$ 9,875
State Highway	323	-	323
Nonmajor governmental	100,700	-	100,700
Total Governmental	110,776	122	110,898
Nonmajor enterprise	65	-	65
Internal Service	22	1	23
<b>Total other funds</b>	<b>\$ 110,863</b>	<b>\$ 123</b>	<b>\$ 110,986</b>

The balances result from timing differences between the date goods and services are provided or reimbursable expenses occur, and the date the transactions are recorded in the accounting system and payment is made.

**C. Transfers From/Transfers To Other Funds**

A summary of transfers between funds for the year ended June 30, 2009, is shown below (expressed in thousands):

<b>Transfers In/From</b>	<b>Transfers Out/To</b>					
	<b>Major Governmental Funds</b>					<b>Total Governmental</b>
	<b>General</b>	<b>State Highway</b>	<b>Municipal Bond Bank</b>	<b>Stabilize the Operations of State Gov't</b>	<b>Nonmajor Governmental</b>	
Major Governmental Funds:						
General	\$ -	\$ 16,672	\$ 38	\$ 76,500	\$ 220,164	\$ 313,374
State Highway	16,195	-	-	-	1,094	17,289
Consolidated Bond Interest and Redemption	1,522	-	30,622	-	11,758	43,902
Stabilize the Operations of State Government	310	-	-	-	-	310
Nonmajor governmental	69,062	3,057	-	-	2,382	74,501
Total Governmental	87,089	19,729	30,660	76,500	235,398	449,376
Nonmajor enterprise	1,853	-	-	-	161	2,014
Internal Service	222	2,000	-	-	82	2,304
<b>Total other funds</b>	<b>\$ 89,164</b>	<b>\$ 21,729</b>	<b>\$ 30,660</b>	<b>\$ 76,500</b>	<b>\$ 235,641</b>	<b>\$ 453,694</b>



(Note 5 Continued)

	Transfers Out/To					
	Major Enterprise Fund		Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
	Unemployment Compensation	Water Projects Loans				
<b>Transfers In/From</b>						
Major Governmental Funds:						
General	\$ -	\$ 1,535	\$ 22,875	\$ 24,410	\$ -	\$ 337,784
State Highway	-	-	-	-	-	17,289
Consolidated Bond Interest and Redemption	-	-	-	-	-	43,902
Stabilize the Operations of State Government	-	-	-	-	-	310
Nonmajor governmental	1,515	-	-	1,515	100	76,116
<b>Total Governmental</b>	<b>1,515</b>	<b>1,535</b>	<b>22,875</b>	<b>25,925</b>	<b>100</b>	<b>475,401</b>
Nonmajor enterprise	-	-	-	-	-	2,014
Internal Service	-	-	-	-	-	2,304
<b>Total other funds</b>	<b>\$ 1,515</b>	<b>\$ 1,535</b>	<b>\$ 22,875</b>	<b>\$ 25,925</b>	<b>\$ 100</b>	<b>\$ 479,719</b>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment. An exception was a transfer to the General Fund of \$72 million from the Stabilize the Operations of State Government (“Rainy Day”) fund, \$4 million from the Disaster Relief fund and \$0.5 million from the Emergency Assistance Subaccount. The Nevada Legislature approved this transfer during the 24<sup>th</sup> Special Session (2008) to offset a projected deficit in the General Fund.

In addition, the Nevada Legislature approved appropriations for the support of the Nevada System of Higher Education (NSHE), a component unit. Net payments to NSHE of \$592.7 million are reported as education and support service expenses in the Statement of Activities and as intergovernmental expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. A corresponding amount is reported as general revenue of NSHE in the Statement of Activities.

**Note 6 - Restricted Assets**

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Assets. The components of restricted assets at June 30, 2009 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
<b>Restricted:</b>			
Cash	\$ -	\$ -	\$ 20,554
Investments	142,539	142,539	-
<b>Total</b>	<b>\$ 142,539</b>	<b>\$ 142,539</b>	<b>\$ 20,554</b>
<b>Restricted for:</b>			
Debt service	\$ 142,539	\$ 142,539	\$ 3,092
Construction	-	-	11,536
Other purposes	-	-	5,926
<b>Total</b>	<b>\$ 142,539</b>	<b>\$ 142,539</b>	<b>\$ 20,554</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

## Note 7- Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2009, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 129,403	\$ 8,321	\$ (624)	\$ 137,100
Construction in progress	240,657	198,952	(170,462)	269,147
Infrastructure	3,119,560	5,999	-	3,125,559
Rights-of-way	512,358	10,241	(113)	522,486
Total capital assets, not being depreciated	<u>4,001,978</u>	<u>223,513</u>	<u>(171,199)</u>	<u>4,054,292</u>
<i>Capital assets, being depreciated/amortized</i>				
Buildings	1,185,227	140,141	-	1,325,368
Improvements other than buildings	105,328	8,290	-	113,618
Furniture and equipment	372,791	26,838	(24,501)	375,128
Software costs	149,446	2,815	(698)	151,563
Total capital assets, being depreciated/amortized	<u>1,812,792</u>	<u>178,084</u>	<u>(25,199)</u>	<u>1,965,677</u>
<i>Less accumulated depreciation/amortization for:</i>				
Buildings	(336,575)	(29,529)	-	(366,104)
Improvements other than buildings	(55,101)	(4,435)	-	(59,536)
Furniture and equipment	(255,095)	(31,109)	22,184	(264,020)
Software costs	(109,371)	(23,525)	695	(132,201)
Total accumulated depreciation/amortization	<u>(756,142)</u>	<u>(88,598)</u>	<u>22,879</u>	<u>(821,861)</u>
Total capital assets, being depreciated/amortized, net	<u>1,056,650</u>	<u>89,486</u>	<u>(2,320)</u>	<u>1,143,816</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,058,628</u>	<u>\$ 312,999</u>	<u>\$ (173,519)</u>	<u>\$ 5,198,108</u>
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	4,771	2,916	-	7,687
Total capital assets, not being depreciated	<u>5,339</u>	<u>2,916</u>	<u>-</u>	<u>8,255</u>
<i>Capital assets, being depreciated</i>				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	5,424	189	(210)	5,403
Total capital assets, being depreciated	<u>9,444</u>	<u>189</u>	<u>(210)</u>	<u>9,423</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(2,159)	(103)	(50)	(2,312)
Improvements other than buildings	(592)	(9)	50	(551)
Furniture and equipment	(4,333)	(331)	209	(4,455)
Total accumulated depreciation	<u>(7,084)</u>	<u>(443)</u>	<u>209</u>	<u>(7,318)</u>
Total capital assets, being depreciated, net	<u>2,360</u>	<u>(254)</u>	<u>(1)</u>	<u>2,105</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 7,699</u>	<u>\$ 2,662</u>	<u>\$ (1)</u>	<u>\$ 10,360</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 7 Continued)

Current period depreciation and amortization expense was charged to functions of the primary government as follows (expressed in thousands):

<b>Governmental activities:</b>		
General government	\$	19,953
Education, support services		2,560
Health, social services		9,818
Law, justice, public safety		26,318
Recreation, resource development		6,577
Transportation		13,767
Regulation of business		1,446
Unallocated		976
Depreciation and amortization on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets		7,183
<b>Total depreciation/amortization expense - governmental activities</b>	<b>\$</b>	<b>88,598</b>
<b>Business-type activities:</b>		
Enterprise	\$	443
<b>Total depreciation expense - business-type activities</b>	<b>\$</b>	<b>443</b>

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2009, was as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Nevada System of Higher Education:</b>				
<b>Capital assets, not being depreciated</b>				
Construction in progress	\$ 383,603	\$ 128,356	\$ (385,101)	\$ 126,858
Land	65,407	16,414	-	81,821
Collections	9,778	148	(229)	9,697
Total capital assets, not being depreciated	458,788	144,918	(385,330)	218,376
<b>Capital assets, being depreciated</b>				
Buildings	1,638,629	412,226	(1,015)	2,049,840
Land and improvements	89,011	12,932	(1,295)	100,648
Machinery and equipment	293,640	24,113	(16,541)	301,212
Library books and media	108,149	5,876	(907)	113,118
Total capital assets, being depreciated	2,129,429	455,147	(19,758)	2,564,818
<b>Less accumulated depreciation for:</b>				
Buildings	(452,692)	(47,889)	6,350	(494,231)
Land and improvements	(67,299)	(8,986)	1,105	(75,180)
Machinery and equipment	(184,710)	(28,486)	13,926	(199,270)
Library books and media	(93,240)	(6,716)	855	(99,101)
Total accumulated depreciation	(797,941)	(92,077)	22,236	(867,782)
Total capital assets, being depreciated, net	1,331,488	363,070	2,478	1,697,036
<b>Nevada System of Higher Education activity capital assets, net</b>	<b>\$ 1,790,276</b>	<b>\$ 507,988</b>	<b>\$ (382,852)</b>	<b>\$ 1,915,412</b>



**Note 8 - Long-Term Obligations**

**A. Bonds Payable**

The State issues general obligation bonds for the acquisition and construction of major capital facilities; buying local governments' bonds in the municipal bond bank fund; protection of natural resources; cultural affairs projects; the construction, reconstruction, improvement and maintenance of highways; and for refunding purposes. General obligation bonds are direct obligations and pledge the full faith and credit of the State. Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation housing bonds in the aggregate have a debt limit of \$5,000,000,000 and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State. General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2009 are comprised of the following (expressed in thousands):

	Interest Rates	Original Amount	Principal Outstanding
<b>Governmental activities:</b>			
<b>General obligation bonds:</b>			
Subject to Constitutional Debt Limitation	2.0-7.0%	\$ 1,838,365	\$ 1,385,990
Exempt from Constitutional Debt Limitation	1.6-7.0%	1,412,190	693,815
<b>Special obligation bonds:</b>			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.5-6.0%	963,925	722,880
Subtotal		4,214,480	2,802,685
<b>Issuance premiums</b>		150,022	109,407
<b>Governmental activities bonds payable</b>		4,364,502	2,912,092
<b>Business-type activities:</b>			
<b>General obligation bonds:</b>			
Exempt from Constitutional Debt Limitation	2.0-6.5%	149,610	113,055
<b>Special obligation bonds:</b>			
Housing Bonds	*1.2-8.02%	1,462,485	911,783
Subtotal		1,612,095	1,024,838
<b>Issuance premiums</b>		2,930	1,987
<b>Business-type activities bonds payable</b>		1,615,025	1,026,825
<b>Total bonds payable</b>		<u>\$ 5,979,527</u>	<u>\$ 3,938,917</u>

\*Many Housing bonds have variable rates of interest. The tax exempt bonds track the SIFMA Index while the federally taxable debt tracks the one-month LIBOR Index.

**B. Changes in Long-Term Liabilities**

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2009 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,909,725	\$ 300,325	\$ (130,245)	\$ 2,079,805	\$ 126,210
Special obligation bonds	774,300	-	(51,420)	722,880	54,040
Subtotal	2,684,025	300,325	(181,665)	2,802,685	180,250
Issuance premiums	100,771	18,494	(9,858)	109,407	9,940
Total bonds payable	2,784,796	318,819	(191,523)	2,912,092	190,190
Obligations under capital leases	19,891	337	(2,312)	17,916	2,107
Compensated absences obligations	99,392	131,957	(128,803)	102,546	69,549
Arbitrage rebate liability	575	397	(397)	575	-
Certificates of participation	59,320	-	(1,290)	58,030	1,370
<b>Governmental activities long-term obligations</b>	<u>\$ 2,963,974</u>	<u>\$ 451,510</u>	<u>\$ (324,325)</u>	<u>\$ 3,091,159</u>	<u>\$ 263,216</u>
<b>Business-type activities:</b>					
Bonds payable					
General obligation bonds	\$ 115,805	\$ 4,330	\$ (7,080)	\$ 113,055	\$ 7,995
Special obligation bonds	886,195	59,180	(33,592)	911,783	10,523
Subtotal	1,002,000	63,510	(40,672)	1,024,838	18,518
Issuance premiums	2,090	64	(167)	1,987	166
Total bonds payable	1,004,090	63,574	(40,839)	1,026,825	18,684
Compensated absences obligations	1,615	2,428	(2,251)	1,792	1,150
Arbitrage rebate liability	49	38	(15)	72	-
Tuition benefits payable	118,667	10,345	(4,081)	124,931	8,700
<b>Business-type activities long-term obligations</b>	<u>\$ 1,124,421</u>	<u>\$ 76,385</u>	<u>\$ (47,186)</u>	<u>\$ 1,153,620</u>	<u>\$ 28,534</u>



(Note 8 Continued)

The General Fund, special revenue funds and internal service funds in which the leases are recorded typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the funds incurring the related salaries and wages costs. The debt service funds typically liquidate the arbitrage obligations. The Higher Education Tuition Trust Fund typically liquidates tuition benefits payable.

**C. Debt Service Requirements for Bonds**

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2009, of the primary government are summarized in the table following (expressed in thousands):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 180,250	\$ 134,629	\$ 18,518	\$ 37,288
2011	189,010	125,684	27,036	36,435
2012	162,195	116,424	20,407	35,038
2013	178,850	108,264	21,251	34,077
2014	183,570	99,416	22,215	33,057
2015-2019	811,925	372,235	136,538	148,426
2020-2024	672,885	185,855	163,462	110,859
2025-2029	418,895	37,754	154,760	71,568
2030-2034	3,465	947	199,506	37,868
2035-2039	1,640	124	209,050	12,828
2040-2044	-	-	50,110	1,886
2045-2049	-	-	1,985	186
<b>Total</b>	<b>\$ 2,802,685</b>	<b>\$ 1,181,332</b>	<b>\$ 1,024,838</b>	<b>\$ 559,516</b>

Debt service requirements for all capital leases and installment purchases are presented in Section I of this note. No debt service requirements are presented for compensated absences obligations since the repayment dates are unknown.

**D. Constitutional Debt Limitations**

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2009, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 2,482,138
Less: Bonds and leases payable as of June 30, 2009, subject to limitation	(1,405,781)
Remaining debt capacity	<u>\$ 1,076,357</u>

**E. Nevada Municipal Bond Bank**

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized by NRS 350A. These bonds are subject to statutory limitation of \$1.8 billion and are exempt from the Constitutional Debt

Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State's local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Twenty-three projects were funded through the Nevada Municipal Bond Bank as of June 30, 2009, and total investments in local governments amounted to \$326,335,000.

**F. Refunded Debt and Redemptions**

In prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The total outstanding amount of defeased issues at June 30, 2009 is \$96,503,172.

**G. Amounts Available and Amounts to be Provided for Debt Service**

At June 30, 2009, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is \$159,115,972. At June 30, 2009, the amount available to service debt in the Highway Revenue Bonds debt service fund is \$34,458,904. At June 30, 2009, the amount available to service the debt in the Municipal Bond Bank special revenue fund is \$326,122,457.



(Note 8 Continued)

The amount to be provided by other governments of \$131,225,000 is due from the Southern Nevada Water Authority (SNWA). Until January 1, 1996 the Colorado River Commission (CRC), a component unit responsible for managing Nevada's interest in the water and power resources available from the Colorado River, operated the Southern Nevada Water System (SNWS). In accordance with Chapter 393 of the 1995 Legislature, certain rights, powers, duties and liabilities of SNWS were transferred from the State and CRC to the SNWA effective January 1, 1996. These rights, powers, duties and liabilities included, but were not limited to, the State of Nevada general obligation bonds, the existing water user contracts, the Service Contract between CRC and the Las Vegas Valley Water District, and all other contracts related to the SNWS including contracts for capital improvement. Accordingly, the State records the general obligation bonds previously reported in CRC and an associated amount to be provided by other governments in the government-wide financial statements.

**H. Bond Indenture Provisions**

There are restrictions and limitations contained in the various bond indentures. The State is in compliance with the requirements of the bond covenants.

**I. Capital Leases**

The State has entered into various agreements for the lease of equipment and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2009, include equipment with a historical cost of \$8,481,000 with accumulated depreciation of \$5,559,000 and building improvements of \$11,149,000 with accumulated depreciation of \$557,000.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the net minimum lease payments as of June 30, 2009 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2010	\$ 2,824
2011	2,815
2012	2,311
2013	1,500
2014	1,516
2015-2019	7,868
2020-2024	3,625
Total minimum lease payments	22,459
Less: amount representing interest	(4,543)
<b>Obligations under capital leases</b>	<b>\$ 17,916</b>

**J. Arbitrage Rebate Requirement**

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this

requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2009, and changes for the fiscal year then ended is presented in Section B of this note.

**K. Tuition Benefits Payable**

The Higher Education Tuition Trust Fund, an enterprise fund, reports benefits payable as shown in Section B based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts as follows:

APV of the future tuition obligation	\$124,931,000
Net assets available	108,467,156
Net assets as a percentage of tuition benefits obligation	86.82%

The actuarial valuation used an investment yield assumption of 7.25% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
Fall 2010	4.96%	5.00%
Fall 2011 and later	6.00%	4.00%

**L. Certificates of Participation**

In fiscal year 1999, the Nevada Real Property Corporation, a blended component unit, issued \$15,000,000 of general obligation certificates of participation at 4.1-5.0% interest to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility. Under the certificates of participation financing arrangements, the State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

In fiscal year 2004, the Nevada Real Property Corporation issued \$21,550,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the construction of an office building in Carson City (near the State capitol build-



*(Note 8 Continued)*

ings). In fiscal year 2005, the Nevada Real Property Corporation issued \$22,435,000 of Lease Revenue Certificates of Participation at 3.0-5.0% interest to finance the acquisition of a site for and the construction of a new correctional facility in Las Vegas. In fiscal year 2007, the Nevada Real Property Corporation issued \$5,760,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau's existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises. Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State's obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. However, the payment of principal and interest on both issues of certificates is being guaranteed by an insurance policy.

The following schedule presents future certificates of participation payments as of June 30, 2009 (expressed in thousands):

Year Ending June 30	Principal	Interest
2010	\$ 1,370	\$ 2,647
2011	1,500	2,591
2012	1,630	2,526
2013	1,780	2,456
2014	1,940	2,379
2015-2019	11,100	10,490
2020-2024	10,630	8,325
2025-2029	16,300	5,412
2030-2034	11,780	1,183
<b>Total</b>	<b>\$ 58,030</b>	<b>\$ 38,009</b>

**M. Conduit Debt Obligations**

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2009, there are eighteen series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$947,846,614.

**N. Pledged Revenue**

*Pledged motor vehicle and special fuel tax* - the State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay \$722,880,000 in outstanding Highway Improvement Revenue Bonds that were issued from December 2000 through April 2008 for highway construction projects and property acquisition. Total principal and interest remaining on the bonds is \$976,780,665 payable through December 2026. Upon completion of eligible projects, federal aid of \$240,996,874 is expected to be received in fiscal year 2010. For the current year, principal and interest paid was \$88,576,934, and total motor vehicle fuel and special fuel tax revenues were \$269,478,899.

*Pledged Nevada Housing Division program funds* - the single-family bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; the rights and interest of the Housing Division in all mortgage loans purchased under the various bond certificates; revenues which primarily include mortgage repayments and the net income, if any, derived as a result of foreclosure or other action taken in the event of a default on such a mortgage loan; curtailments, consisting generally of all amounts representing monthly principal payments with respect to mortgage loans which are received in advance of the scheduled amortization thereof; and all earnings realized by the investment of monies in all funds and accounts as well as all funds and accounts created by the various bond certificates.

The multi-unit bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; all earnings realized from the investment of bond proceeds; after permanent financing, all revenues received from the development including housing assistance and rental payments made by tenants, notes receivable collateralized by deeds of trust and the rights to FHA insurance, draws on bank letters of credit, private mortgage and hazard insurance and condemnation proceeds.

Substantially all program fund assets are pledged in trust for the benefit of the bondholders.

**O. Interest Rate Swap Agreements**

*Objective* - The Nevada Housing Division has entered into six pay-fixed, receive-variable interest rate swaps in order to provide lower cost fixed rate financing for its single-family loan production needs. The Nevada Housing Division policy requires hedging of all variable rate debt issuances through synthetic fixed rate structures.

*Terms, Fair Values and Credit Ratings* - The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2009 were as follows (expressed in thousands):

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 8 Continued)

Associated Single-Family Bond Issue	Current Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Counter-Party Rating	Fair Value
2006 Issue A	\$ 4,500	09/23/08	4.720%	68% of USD-LIBOR-BBA	04/01/37	Aaa	\$ (522)
2006 Issue B	4,500	09/23/08	4.230%	68% of USD-LIBOR-BBA	10/10/41	Aaa	(398)
2007 Issue A	4,500	09/23/08	4.246%	68% of USD-LIBOR-BBA	04/01/42	Aaa	(435)
2007 Issue B	8,000	10/09/07	4.340%	68% of USD-LIBOR-BBA	04/01/42	Aaa	(827)
2008 Issue A	14,700	04/03/08	3.736%	68% of USD-LIBOR-BBA	10/01/39	Aaa	(857)
2008 Issue B	7,500	09/25/08	3.670%	68% of USD-LIBOR-BBA	04/01/39	Aaa	(419)
<b>Total Single-Family</b>	<b>\$ 43,700</b>						<b>\$ (3,458)</b>

The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under rollover risk, the Housing Division's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

**Credit Risk** – All of the Housing Division's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Housing Division is exposed to credit risk. Credit risk is the risk that a swap counterparty fails to perform according to contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps as detailed above. To mitigate this credit risk, the Housing Division maintains strict credit standards for swap counterparties, and requires the counterparties to be rated in the AA or higher category by either Moody's or Standard and Poor's at the time the contract is entered into. The Housing Division has executed its swap transactions with two counterparties. The counterparties are rated Aaa/A1. The swap agreements contain a collateral agreement with the counterparty, and require full collateralization of the fair value of the swap should the counterparty's credit rating fall below the requirement. Eligible collateral on the swaps can include cash or U.S. government securities held by a third-party custodian.

**Basis Risk** – The Housing Division is exposed to basis risk when the relationship between LIBOR and BMA converges, changing the synthetic rate on the bonds. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated. As of June 30, 2009, the BMA rate was .35% and 68% of the LIBOR was .20995%.

**Termination Risk** – The Housing Division's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Housing Division or the coun-

terparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. The Housing Division views the likelihood of such events to be remote at this time. If at the termination a swap has a negative value, the Housing Division would be liable to the counterparty for a payment equal to the fair value of such swap.

**Rollover Risk** – The Housing Division is exposed to rollover risk on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of June 30, 2009, the Division is not exposed to any rollover risk.

**Swap Payments and Associated Debt** - Using interest rates as of June 30, 2009, debt service requirements of the Housing Division's outstanding variable-rate debt and net swap payments are as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Swaps, Net	Total
2010	\$ -	\$ 153	\$ 1,674	\$ 1,827
2011	-	153	1,674	1,827
2012	-	153	1,674	1,827
2013	-	153	1,674	1,827
2014	-	153	1,674	1,827
2015-2019	-	765	8,368	9,133
2020-2024	-	765	8,368	9,133
2025-2029	1,075	761	8,331	10,167
2030-2034	10,095	657	7,283	18,035
2035-2039	26,850	294	3,256	30,400
2040-2044	5,680	17	195	5,892
<b>Total</b>	<b>\$ 43,700</b>	<b>\$ 4,024</b>	<b>\$ 44,171</b>	<b>\$91,895</b>

As rates vary, variable-rate interest rate payments on the bonds and net sweep payments will change.

## P. Component Unit Obligations

**Nevada System of Higher Education (NSHE)** – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2009, and the changes for the year then ended, consist of the following (expressed in thousands):

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 8 Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 454,791	\$ 80,375	\$ (17,731)	\$ 517,435	\$ 18,527
Issuance premiums	11,586	98	(474)	11,210	474
Total bonds payable	466,377	80,473	(18,205)	528,645	19,001
Obligations under capital leases	10,600	2,033	(3,931)	8,702	2,220
Compensated absences obligations	45,340	28,129	(30,397)	43,072	29,027
<b>Total</b>	<b>\$ 522,317</b>	<b>\$ 110,635</b>	<b>\$ (52,533)</b>	<b>580,419</b>	<b>50,248</b>
Discretely presented component units of the NSHE:					
Capital leases				1,763	1,337
Compensated absences obligations				14	14
Long-term debt				923	86
<b>Total</b>				<b>\$ 583,119</b>	<b>\$ 51,685</b>

Tuition and fees, auxiliary enterprises' revenue and certain other revenue as defined in the bond indentures secure the revenue bonds.

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2009 (expressed in thousands):

Year Ending June 30	Principal	Interest
2010	\$ 19,001	\$ 23,232
2011	20,909	22,511
2012	19,689	21,728
2013	20,154	20,935
2014	20,979	20,080
2015-2019	103,081	87,331
2020-2024	93,489	65,049
2025-2029	90,846	43,806
2030-2034	97,284	21,787
2035-2039	43,213	3,551
<b>Total</b>	<b>\$ 528,645</b>	<b>\$ 330,010</b>

Future net minimum rental payments which are required under the capital leases by NSHE for the years ending June 30 are as follows (expressed in thousands):

Year Ending June 30	Amount
2010	\$ 2,564
2011	2,520
2012	1,386
2013	1,359
2014	1,025
2015-2019	896
Total minimum lease payments	9,750
Less: amount representing interest	(1,048)
<b>Obligations under capital leases</b>	<b>\$ 8,702</b>

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2009, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 109,260	\$ -	\$ (5,200)	\$ 104,060	\$ 5,490
Issuance premiums	3,151	-	(247)	2,904	247
Issuance discounts	(10)	-	8	(2)	(2)
Unamortized refunding charges	(5,143)	-	347	(4,796)	(348)
Total bonds payable	107,258	-	(5,092)	102,166	5,387
Compensated absences obligations	224	199	(150)	273	193
<b>Total</b>	<b>\$ 107,482</b>	<b>\$ 199</b>	<b>\$ (5,242)</b>	<b>\$ 102,439</b>	<b>\$ 5,580</b>

Scheduled maturities for bonds payable by CRC for the years ending June 30 are as follows (expressed in thousands):

Year Ending June 30	Principal	Interest
2010	\$ 5,490	\$ 5,091
2011	5,770	4,792
2012	6,065	4,482
2013	6,400	4,156
2014	6,735	3,812
2015-2019	34,990	13,298
2020-2024	18,290	7,073
2025-2029	19,585	2,278
2030	735	17
<b>Total</b>	<b>\$ 104,060</b>	<b>\$ 44,999</b>

**Note 9 - Pensions and Other Employee Benefits**

The Nevada Legislature created various plans to provide benefits to qualified employees and certain elected officials of the State as well as employees of other public employers. The Public Employees' Retirement Board administers the Public Employees' Retirement System of Nevada (PERS), the Legislators' Retirement System of Nevada (LRS) and the Judicial Retirement System of Nevada (JRS). A summary description of the plans follows.

**A. PERS**

*Plan Description* - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost-sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. PERS provides a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. Any government employer in the State may elect to have its regular and police/fire employees covered by PERS. At June 30, 2009, there were 178 participating employers and other contributing entities.

PERS' issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports PERS as a pension trust fund. PERS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Benefits, as required by 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 the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits and survivor benefits. Monthly benefit allowances for regular members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned after July 1, 2001, this multiplier is 2.67% of average compensation. However, for members entering the System on or after January 1, 2010, there is only a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows 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.

*Summary of Significant Accounting Policies* - PERS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute, employee and employer contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on estimated current values and Member Appraisal Institute independent appraisals. For private equity partnership investments, estimated fair value is determined in good faith by the general partner of the respective investment partnership. In addition, each partnership undergoes an independent audit on an annual basis.

*Contributions* - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is provided by statute. New hires of the State of Nevada and public employers, who did not elect the employer-pay contribution plan prior to July 1, 1983, have the option of selecting either the employee/employer contribution plan or the employer-pay contribution plan. One plan provides for matching employee and employer contributions while the other plan provides for employer-pay contributions only.

*Funding Policy* - 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. Although 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 Legislature. These statutory rates are increased or decreased pursuant to NRS 286.421 and 286.450.



(Note 9 Continued)

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2009 were as follows:

	Statutory Rate	
	Employer	Employees
<b>Regular employees:</b>		
Employer-pay plan	20.50%	na
Employee/employer plan (matching rate)	10.50%	10.50%
<b>Police and Fire employees:</b>		
Employer-pay plan	33.50%	na
Employee/employer plan (matching rate)	17.25%	17.25%

The State's contribution requirements for the current fiscal year and each of the two preceding years were (expressed in thousands):

	2009	2008	2007
Primary Government	\$ 153,768	\$ 146,754	\$ 136,270
<b>Component Units:</b>			
Colorado River Commission	443	448	403
Nevada System of Higher Education	28,030	27,269	24,988
<b>Total component units</b>	<b>28,473</b>	<b>27,717</b>	<b>25,391</b>
<b>Total reporting entity</b>	<b>\$ 182,241</b>	<b>\$ 174,471</b>	<b>\$ 161,661</b>
Contributions as %			
of covered payroll	16%	16%	16%
Percentage of pension costs			
contributed	100%	100%	100%

**B. LRS**

*Plan Description* - All State Legislators are members in the Legislators' Retirement System (LRS), a defined benefit, single-employer public employees' retirement system established in 1967 by the Nevada Legislature to provide a reasonable base income to Legislators at retirement. LRS is legislated by and functions in accordance with State laws established by the Nevada Legislature. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefit payments to which participants may be entitled under the plan include pension benefits and death benefits. Monthly benefit allowances are \$25 for each year of service up to thirty years.

LRS issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports LRS as a pension trust fund. LRS financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

*Summary of Significant Accounting Policies* - LRS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute employee and employer contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

Investments are reported at fair value. The fair values of investments in securities are generally based on published market prices and quotations from major investment firms. In general, fixed income securities are valued based on yield currently available on comparable securities of issuers with similar credit ratings.

*Contributions* - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218.2387(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$401,732 for fiscal years 2009 and 2010, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2009, of which \$200,866 (half) was recognized as employer contributions in the fiscal year ended June 30, 2009, and the other half was recorded as deferred revenue. Employee contributions of \$61,200 were received in fiscal year 2009, of which, \$30,600 (half) was recorded as employee contributions in the fiscal year ended June 30, 2009, and the other half was recorded as deferred revenue.

*Actuarial Information* - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. Actuarial methods and significant assumptions used in the January 1, 2009, actuarial valuation include the following:

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 9 Continued)

<i>Actuarial Cost Method:</i>	Entry age normal cost
<i>Amortization Method:</i>	Year-by-year closed with each amortization period set at 20 years
<i>Asset Valuation Method:</i>	Five year smoothed market
<i>Actuarial Assumptions:</i>	
<i>Investment yield</i>	8%
<i>Projected salary increases</i>	None
<i>Retirement Age for Active Members:</i>	Legislators become fully vested at age 60 with eight years of service with service credit before July 1, 1985, or at age 60 with ten years of service without service credit before July 1, 1985.
<i>Assumed Mortality Rate:</i>	1983 Group Annuity Mortality Table
<i>Cost of Living (Post-Retirement) Increases:</i>	2% after 3 years of receiving benefits 3% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4% after 12 years of receiving benefits 5% after 14 years of receiving benefits Cap based on CPI if benefits outpace inflation

*Trend Information* - Three-year trend information follows (expressed in thousands):

Calendar Year	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2007	\$ 185	\$ 185	100%	\$ -
2008	185	185	100%	-
2009	201	201	100%	-

**Funded Status and Funding Progress** – As of January 1, 2009, the most recent actuarial valuation date, the LRS was 71% funded. The actuarial accrued liability for benefits was \$5.9 million, and the actuarial value of assets was \$4.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.4 million, and the ratio of the UAAL to the covered payroll was 492%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### C. JRS

**Plan Description** - The Judicial Retirement System of Nevada (JRS) is the administrator of an agent multiple-employer public employees defined benefit retirement system established in 2001 by the Nevada Legislature. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. As of January 1, 2009, the Supreme Court and ten municipalities in Nevada had elected to participate in JRS.

JRS issues a stand-alone financial report that includes financial statements and required supplementary information. The

State reports JRS as a pension trust fund. JRS financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Benefits are paid according to various options contained in pertinent statutes, dependent upon whether a member was serving as a judge before November 5, 2002. Retiring members who were serving as a judge before November 5, 2002 may select among the two benefit options below. Retiring members who began serving as a justice or judge on or after November 5, 2002 may select only the first option below.

**Option 1 - 2003 Benefit Plan:** Benefits, as required by statute, are computed at 3.4091% per year of accredited service at the time of retirement to a maximum of 75% with 22 years, times the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and survivor benefits.

**Option 2 – Previous Benefit Plan:** Retiring members who were serving as a judge prior to November 5, 2002 may select the following benefit: Benefit payments are computed at 4.1666% for the first five years of service and 4.1666% for each additional year of service, up to a total maximum of 22 years, times the member's compensation for their last year of service.

**Summary of Significant Accounting Policies** – JRS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute,

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2009



NEVADA

(Note 9 Continued)

contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

Investments are reported at fair value. The fair values of investments in securities are generally based on published market prices and quotations from major investment firms. In general, fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

**Contributions** – The JRS is an employer-paid plan and there is no contribution from active members. The participating employers submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses. Annually, the participating employers pay to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

**Actuarial Information** – Actuarial valuations of the JRS are prepared annually on a calendar year basis. Significant actuarial assumptions used in the January 1, 2009 valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal										
<i>Amortization Method:</i>	Level percent of pay (3% payroll growth assumed) over a declining amortization period of: 30 years for Supreme Court and District Judges 20 years for each non-state agency 5-year smoothed market										
<i>Asset Valuation Method:</i>											
<i>Actuarial Assumptions:</i>											
<i>Investment yield</i>	8%										
<i>Projected salary increases</i>	1 to 4 years of service increase of 3% per year 5 years of service increase of 11% per year 6 to 12 years of service increase of 5% per year 13 or more years of service increase of 3% per year										
<i>Retirement Age for Active Members:</i>	Retirement rates after completion of five years of service and attainment of the following ages: <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>Age</u></td> <td style="text-align: center;"><u>Rate per Age</u></td> </tr> <tr> <td style="text-align: center;">60—64</td> <td style="text-align: center;">35%</td> </tr> <tr> <td style="text-align: center;">65—67</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">68—69</td> <td style="text-align: center;">75%</td> </tr> <tr> <td style="text-align: center;">70</td> <td style="text-align: center;">100%</td> </tr> </table>	<u>Age</u>	<u>Rate per Age</u>	60—64	35%	65—67	50%	68—69	75%	70	100%
<u>Age</u>	<u>Rate per Age</u>										
60—64	35%										
65—67	50%										
68—69	75%										
70	100%										
<i>Assumed Mortality Rate:</i>	RP-2000 Male Combined Healthy Table RP-2000 Female Combined Healthy Table set forward one year										
<i>Cost of Living (Post-Retirement) Increases:</i>	2% after 3 years of receiving benefits 3% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4% after 12 years of receiving benefits 5% after 14 years of receiving benefits Cap based on CPI if benefits outpace inflation										

**Trend Information** - Three-year trend information follows (expressed in thousands):

	2009	2008	2007
Annual required contribution	\$ 3,740	\$ 3,453	\$ 3,423
Interest on net pension obligation	(24)	(6)	-
Adjustment to annual required contribution	69	19	(1)
Annual pension cost	3,785	3,466	3,422
State contribution made	(3,992)	(3,680)	(3,509)
Increase (decrease) in net pension obligation	(207)	(214)	(87)
Net pension obligation (asset) at beginning of year	(298)	(84)	3
Net pension obligation (asset) at end of year	\$ (505)	\$ (298)	\$ (84)
Percentage of annual pension costs contributed	105%	106%	103%



(Note 9 Continued)

*Funded Status and Funding Progress* – As of January 1, 2009, the most recent actuarial valuation date, the JRS was 59% funded. The actuarial accrued liability for benefits was \$67.2 million, and the actuarial value of assets was \$39.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$27.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.4 million, and the ratio of the UAAL to the covered payroll was 241%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **D. Other Postemployment Benefits**

*Plan Description* – The State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees' Fund") was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees. NRS 287.0436 established the Retirees' Fund as an irrevocable trust fund for the purpose of providing retirement benefits other than pensions. The Retirees' Fund is a multiple-employer cost sharing defined postemployment benefit plan with three participating employers, and is administered by the Board of the Public Employees' Benefits Program of the State of Nevada. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. NAC 287.530 establishes the benefit upon the retiree. All Nevada public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees' Fund. State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

The Retirees' Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retiree's Fund as a trust fund. The Retirees' Fund financial report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

*Summary of Significant Accounting Policies* - The financial statements of the Retirees' Fund have been prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees' Fund does not receive member contributions.

*Method Used to Value Investments* – Investments are reported at fair value, which is defined as the price at which an asset passes from a willing seller to a willing buyer. Investments are held with the Retirement Benefits Investment Fund (RBIF), which values participants' shares according to the contributions of each entity, and accordingly, earnings and expenses are allocated to each entity in proportion to the participants' share in the RBIF.

*Contributions and Funding Policy* - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2008 through July 31, 2008 the rate assessed was 0.00%, due to a premium holiday. For the period from August 1, 2008 through January 31, 2009 the rate assessed was 2.97%, from February 1, 2009 through June 30, 2009 the rate assessed was 1.57% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. For the year ended June 30, 2009, the State and its component units contributed \$38,683,119 to the plan, including \$32,256,720, which is 100% of the contractually required contribution, and an additional \$6,426,399 to prefund benefits. For the year ended June 30, 2008, the State and its component units contributed \$59,263,078 to the plan, including \$39,590,702, which is 100% of the contractually required contribution, and an additional \$19,672,376 to prefund benefits. Prior to the establishment of the Retirees' Fund, the State's contributions to the PEBP for the year ended June 30, 2007 were \$28,479,026, which equaled 100% of the required contributions.



**Note 10 - Risk Management**

The State of Nevada established the Self-Insurance and Insurance Premiums funds in 1983 and 1979, respectively. Both funds are classified as internal service funds.

Interfund premiums are reported as interfund services provided and used. All State funds participate in the insurance program. Changes in the claims liabilities during the past two fiscal years were as follows (expressed in thousands):

	Self Insurance Fund	Insurance Premiums Fund
Balance June 30, 2007	\$ 25,082	\$ 47,150
Claims and changes in estimates	206,650	8,822
Claim payments	(199,098)	(12,170)
Balance June 30, 2008	32,634	43,802
Claims and changes in estimates	238,691	18,999
Claim payments	(235,444)	(17,213)
<b>Balance June 30, 2009</b>	<b>\$ 35,881</b>	<b>\$ 45,588</b>
Due Within One Year	\$ 35,881	\$ 17,655

These liabilities are recorded in accordance with GASB Statement No. 10. This statement requires that a liability for claims be reported if information received before the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include incremental claims adjustment costs. A reserve for losses has been established in both funds to account for these liabilities and is included in the liability section of the Statement of Net Assets.

There was no insurance coverage for excess liability insurance.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2009. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed.

**A. Self-Insurance Fund**

The Self-Insurance Fund administers the 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. All public employers in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are fourteen public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, one hundred twenty-five public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employ-

ees' Benefit Program Board. The Board is composed of nine members: eight members appointed by the Governor, and the Director of the Department of Administration or his designee.

The Self-Insurance Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and assumes all risk for claims incurred by plan participants. Fully insured HMO products are also offered. Accidental death and dismemberment, travel accident, long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, fund rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

The management of the Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Upon consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

**B. Insurance Premiums Fund**

The Insurance Premiums Fund provides general, civil (tort), and auto liability insurance to State agencies, workers' compensation insurance for State employees, and auto physical damage and property insurance for State agencies.

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy for workers compensation. For the year ended June 30, 2009, the loss retention for this policy was \$1,500,000. Effective January 1, 2001 NSHE and PERS were excluded from coverage under this policy. Liabilities in the amount of \$38,192,565 as of June 30, 2009 were determined using standard actuarial techniques as estimates for the incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2009.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 through October 1, 2007 and \$75,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal



(Note 10 Continued)

court. Those claims filed in federal court are not subject to the limit. Per State statute, if, as the result of future general liability or catastrophic losses, fund resources are exhausted, coverage is first provided by the reserve for statutory contingency account and would then revert to the General Fund.

The Fund is fully self-insured for general, civil and vehicle liability. The fund is also self-insured for comprehensive and collision loss to automobiles, self-insured to \$250,000 for property loss with commercial insurance purchased to cover the excess above this amount, and commercially insured for losses to boilers and machinery and certain other risks.

At June 30, 2009, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. The liability for estimated losses from reported and unreported claims in excess of the amounts paid for the workers' compensation policies is determined using standard actuarial techniques, which take into account claims history and loss development factors for similar entities. This liability

is further adjusted for a non-working escrow deposit on-hand with the insurer which is restricted for use as collateral against future losses and a loss fund on-hand with the insurer that is restricted for payment of claims. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of post retirement heart disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the five-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart disease. A range of estimated losses from \$6,595,800 to \$28,704,200 has been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2009 total liabilities exceeded total assets by \$28,282,349. The Fund is liable for approximately \$28,300,000 as of June 30, 2009 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

**Note 11 - Fund Balances and Net Assets**

**A. Net Assets Restricted by Enabling Legislation**

The government-wide statement of net assets reports \$1,522,091 (expressed in thousands) of restricted net assets for the primary government of which \$141,800 (expressed in thousands) is restricted by enabling legislation.

**B. Governmental Fund Balances**

Governmental fund balances, reserved for other at June 30, 2009, are explained as follows (expressed in thousands):

	General	State Highway	Other Governmental	Total
<b>Fund balances, reserved for other:</b>				
Reserved for prepaid items	\$ 2,917	\$ 7	\$ 19	\$ 2,943
Reserved for noncurrent receivables - notes	489	-	28	517
Reserved for specific purpose private contributions	-	-	169	169
Reserved for legislatively approved allocations	-	-	9,649	9,649
<b>Total fund balances, reserved for other</b>	<b>\$ 3,406</b>	<b>\$ 7</b>	<b>\$ 9,865</b>	<b>\$ 13,278</b>

Governmental fund balances, unreserved, designated, reported in nonmajor funds at June 30, 2009, are explained as follows (expressed in thousands):

	Other Governmental	Total
<b>Fund balances, unreserved, designated, reported in nonmajor:</b>		
<b>Special revenue funds:</b>		
Designated for principal preservation	\$ 119	\$ 119
Designated for information technology projects	158	158
Total special revenue funds	277	277
<b>Capital project funds:</b>		
Designated for approved capital projects	73,898	73,898
<b>Total fund balances, unreserved, designated, reported in nonmajor funds</b>	<b>\$ 74,175</b>	<b>\$ 74,175</b>



(Note 11 Continued)

**C. Individual Fund Deficits**

**Enterprise Funds**

*Nevada Magazine* - The Nevada Magazine Fund accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows an increase in net assets of \$52,689 for the fiscal year ended June 30, 2009, resulting in net liabilities (negative net assets) of \$135,645 at June 30, 2009.

*Higher Education Tuition Trust* - The Higher Education Tuition Trust Fund accounts for the receipts and disbursements related to prepaid tuition contracts that allow the cost of tuition to be

paid in advance of enrollment at an institution of higher education. The fund shows a decrease in net assets of \$15,899,781 for the fiscal year ended June 30, 2009, resulting in net liabilities (negative net assets) of \$16,463,844 at June 30, 2009.

**Internal Service Fund**

*Insurance Premiums* - The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded a decrease in net assets of \$2,557,040 for the year ended June 30, 2009, resulting in net liabilities (negative net assets) of \$28,282,349 at June 30, 2009.

**Note 12 - Principal Tax Revenues**

The principal taxing authorities for the State of Nevada are the Nevada Tax Commission and the Nevada Gaming Commission.

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for most non-gaming taxes.

The following are the primary non-gaming tax revenues:

*Sales and Use Taxes* are imposed at a minimum rate of 6.5%, with county and local option up to an additional 1.25%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

*Modified Business Tax* is imposed at .63% for businesses other than financial institutions, and 2% for financial institutions, on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

*Insurance Premium Tax* is imposed at 3.5% on insurance premiums written in Nevada. A "Home Office Credit" is given to insurance companies with home or regional offices in Nevada, but not to exceed 80% of the taxes due.

*Motor Vehicle Fuel Tax* is levied at 24.805 cents per gallon on gasoline and gasohol sales. 17.65 cents of the tax goes to the State Highway Fund, .75 cents goes to the Cleaning Up Petroleum Discharges Fund, .055 cents goes to the General Fund and the remaining 6.35 cents goes to the counties. The counties have an option to levy up to an additional 9 cents per gallon.

*Other Sources* of tax revenues include: Cigarette Tax, Controlled Substance Tax, Estate Tax, Jet Fuel, Liquor Tax, Live Entertainment Tax (non-gaming establishments), Lodging Tax, Business License Fees, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Property Tax, Real Property Transfer Tax, Short-Term Lessor Fees and Tire Tax.

The Nevada Gaming Commission was created under NRS 463.022 and is charged with collecting State gaming taxes and fees. The following sources account for gaming tax revenues:

*Percentage Fees* are the largest of several State levies on gaming. They are based upon gross revenue and are collected monthly. The fee is applied on a graduated basis at the following monthly rates:

3.5% of the first \$50,000 of gross revenue; 4.5% of the next \$84,000 of gross revenue; and 6.75% of the gross revenue in excess of \$134,000.

*Live Entertainment Taxes* are imposed at 10% of all amounts paid for admission, food, merchandise or refreshment, while the establishment is providing entertainment in facilities with less than occupancy/seating of 7,500. A 5% rate is imposed for facilities with at least 7,500 occupancy/seating.

*Flat Fee Collections* are levied on the number of gambling games and slot machines operated. Licensees pay fees at variable rates on the number of gaming devices operated per quarter.

*Other Sources* of gaming tax revenues include: Annual State Slot Machine Taxes, Annual License Fees and Miscellaneous Collections, which consists of penalties and fines, manufacturer's, distributor's and slot route operator's fees, advance payments, race wire fees, pari-mutuel wagering tax and other nominal miscellaneous items.

**Note 13 - Works of Art and Historical Treasures**

The State possesses certain works of art, historical treasures, and similar assets that are not included in the capital assets shown in Note 7. The mission of the Lost City Museum in Overton is to study, preserve, and protect prehistoric Pueblo sites found in the Moapa Valley and adjacent areas and to interpret these sites through exhibits and public programs. In Reno, the Nevada Historical Society exhibits and maintains a large number of historical collections preserving the cultural heritage of Nevada. These collections are divided into four sections: library, manuscripts, photography, and museum. The Nevada State Museum in Carson City collects, preserves, and documents three general types of collections: anthropology, history, and natural history as it relates to Nevada and the Great Basin. The mission of the Nevada State Museum, Las Vegas, is to inspire and educate a diverse public about the history and natural history of Nevada. Its major collections include transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, business records, and photography. The Nevada State Railroad Museum, which is located in Carson City, preserves the

rich railroad heritage of Nevada, including locomotives and cars of the famous Virginia & Truckee Railroad. The East Ely Depot Museum, located in the historic Nevada Northern Railroad Depot building, exhibits artifacts, documents, and photographs of early Eastern Nevada mining and railroad transportation. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork. Its mission is to enrich the cultural life of the state and make excellence in the arts accessible to all Nevadans.

These collections are not capitalized by the State because they are:

- Held for public exhibition, education or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for and preserved, and
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

**Note 14 - Commitments and Contingencies****A. Primary Government**

*Lawsuits* - The State Attorney General's Office reported that the State of Nevada or its officers and employees were parties to numerous lawsuits, in addition to those described below. In view of the financial condition of the State, the State Attorney General is of the opinion that the State's financial condition will not be materially affected by this litigation, based on information known at this time.

Several of the actions pending against the State are based upon the State's (or its agents') alleged negligence in which the State must be named as a party defendant. However, there is a statutory limit to the State's liability of \$50,000 per cause of action through October 1, 2007 and \$75,000 per cause of action thereafter. Such limitation does not apply to federal actions such as civil rights actions under 42 U.S.C. Section 1983 brought under federal law or to actions in other states. Tort claims are handled in accordance with NRS 41. Building and contents are insured on a blanket replacement cost basis for all risk except certain specified exclusions.

The State and/or its officers and employees are parties to a number of lawsuits filed under the federal civil rights statutes. However, the State is statutorily required to indemnify its officers and employees held liable in damages for acts or omissions on the part of its officers and employees occurring in the course of their public employment. Several claims may thus be filed against the State based on alleged civil rights violations by its officers and employees. Since the statutory limit of liability (discussed above) does not apply in federal civil rights cases, the potential liability of the State is not ascer-

tainable at the present time. Currently, the State is involved in several actions alleging federal civil rights violations that could result in substantial liability to the State.

In litigation filed against the Department of Taxation, the plaintiff is seeking a declaration that the Live Entertainment Tax is unconstitutional on its face and that they do not have to pay the tax. The Live Entertainment Tax is collected by the Department of Taxation as well as the Gaming Control Board. The Gaming Control Board's collection of the Live Entertainment Tax has not been challenged. Should a refund be granted, the estimated amount to date is \$52.8 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

The State instituted a claim for declaratory relief relating to its actions in 2008 in terminating a forward delivery investment agreement between it and Lehman Brothers Commercial Bank, a Utah industrial bank ("LBCB"). When the State entered into the forward delivery investment agreement in June of 2002, it received a fee of \$20.5 million in exchange for agreeing to purchase certain specified US treasury securities of various maturities and principal amounts from LBCB at different times between June 30, 2002 and May 15, 2028. The State was required to purchase the securities at their matured values, or par value if discount securities were purchased. LBCB would realize revenue at the time of delivery to the custodian. In January of 2009, LBCB (now known as Woodlands Commercial Bank) filed an answer to the State's declaratory judgement action and a counterclaim requesting a judgement in favor of LBCB in the declaratory relief claim, and



(Note 14 Continued)

seeking other relief, including an award of damages against the State. While the State believes it has a meritorious claim for declaratory relief and meritorious defenses to LBCB's counterclaim, the State cannot at this time predict the outcome of this action.

**PERS** - The Public Employees' Retirement System (PERS) has entered into investment funding commitments related to alternative investments to fund an additional \$517.8 million at some future date. Alternative investments consist of acquisitions, industry consolidations, subordinated debt instruments, special situations, and venture capital.

**Leases** - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Assets. Primary government lease expense for the year ended June 30, 2009 amounted to \$34.8 million. The following is the primary government's schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009 (expressed in thousands):

For the Year Ending June 30	Amount
2010	\$ 27,295
2011	23,056
2012	16,406
2013	11,856
2014	6,394
2015-2019	8,621
2020-2024	2,595
2025-2029	198
<b>Total</b>	<b>\$ 96,421</b>

**Federal Grants** - The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2009, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

**Rebate Arbitrage** - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over

the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebutable arbitrage is computed as of each installment computation date. The present value of the rebatable arbitrage is \$647,000 and has been recorded as a liability in the Statement of Net Assets at June 30, 2009. Future calculations might result in different rebatable arbitrage amounts.

**Construction Commitments** - As of June 30, 2009, the Nevada Department of Transportation had total contractual commitments of approximately \$377.7 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total \$40.2 million.

**B. Discretely Presented Component Units**

**Nevada System of Higher Education (NSHE)** - As of June 30, 2009, NSHE had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, NSHE is obligated to make additional investments in these private equity partnerships of \$5,042,000.

NSHE is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, NSHE management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially affect the net assets, changes in net assets or cash flows of NSHE.

**Colorado River Commission (CRC)** - The CRC may from time to time be a party in various litigation matters. It is management's opinion, based upon advice from legal counsel, that the risk of financial losses to CRC from such litigation, if any, will not have a material adverse effect on CRC's future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

The CRC does not accrue for estimated future legal defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when the services are rendered.

The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by CRC. Under this Act, an amount may be required to be rebated to the United States Treasury for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebutable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that no amount is due. Future calculations might result in adjustments to this determination.



## Note 15 - Subsequent Events

### Primary Government

*Bonds* - The following bonds were sold after June 30, 2009:

*General Obligation Bonds* - \$68,000,000 Series 2009A, General Obligation (Limited Tax), Capital Improvement Bonds, due in annual installments ranging from \$4,280,000 to \$29,860,000 due on May 1, 2017 through 2029, plus interest ranging from 4.455% to 6.170% payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, commencing May 1, 2010. The Series 2009A Bonds maturing on and after May 1, 2020 will be subject to optional redemption on and after May 1, 2019. The Series 2009A Bonds maturing on May 1, 2029 are subject to mandatory redemption prior to maturity from sinking fund payments ranging from \$5,515,000 to \$6,445,000 payable annually on May 1, 2025 through 2029. The Series 2009A Bonds are subject to the Constitutional Debt Limit.

\$34,990,000 Series 2009B General Obligation (Limited Tax), Capital Improvement, Cultural Affairs and Refunding Bonds, due in annual installments ranging from \$155,000 to \$5,660,000 due on May 1, 2011 through 2029, plus interest ranging from 4.00% to 5.00% payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, commencing May 1, 2010. The Series 2009B Bonds maturing on and after May 1, 2020 will be subject to optional redemption on and after May 1, 2019. The Series 2009B Bonds maturing on May 1, 2024 and May 1, 2029 are subject to mandatory redemption prior to maturity from sinking fund payments ranging from \$170,000 to \$260,000 payable annually on May 1, 2020 through 2029. The Series 2009B Bonds are subject to the Constitutional Debt Limit.

\$14,680,000 Series 2009C General Obligation (Limited Tax), Natural Resources and Refunding Bonds, due in annual installments ranging from \$450,000 to \$5,255,000 due on May 1, 2012 through 2029, plus interest ranging from 3.00% to 5.00% payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, commencing May 1, 2010. The Series 2009C Bonds maturing on and after May 1, 2020 will be subject to optional redemption on and after May 1, 2019. The Series 2009C Bonds maturing on May 1, 2024 and May 1, 2029 are subject to mandatory redemption prior to maturity from sinking fund payments ranging from \$745,000 to \$1,155,000 payable annually on May 1, 2020 through 2029. The Series 2009C Bonds are not subject to the Constitutional Debt Limit.

\$5,000,000 Series 2009D General Obligation (Limited Tax), Open Space, Parks and Cultural Resources Bonds, due in annual installments ranging from \$225,000 to \$1,975,000 due on May 1, 2014 through 2029, plus inter-

est ranging from 3.00% to 5.00% payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, commencing May 1, 2010. The Series 2009D Bonds maturing on and after May 1, 2020 are subject to optional redemption on and after May 1, 2019. The Series 2009D Bonds maturing on May 1, 2024 and May 1, 2029 are subject to mandatory redemption prior to maturity from sinking fund payments ranging from \$280,000 to \$435,000 payable annually on May 1, 2020 through 2029. The Series 2009D Bonds are subject to the Constitutional Debt Limit.

\$8,240,000 Series 2009E General Obligation (Limited Tax), Open Space, Parks and Natural Resources Bonds, due in annual installments ranging from \$375,000 to \$3,255,000 due on May 1, 2014 through 2029, plus interest ranging from 3.00% to 5.00% payable semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, commencing May 1, 2010. The Series 2009E Bonds maturing on and after May 1, 2020 will be subject to optional redemption on and after May 1, 2019. The Series 2009E Bonds maturing on May 1, 2024 and May 1, 2029 are subject to mandatory redemption prior to maturity from sinking fund payments ranging from \$460,000 to \$715,000 payable annually on May 1, 2020 through 2029. The Series 2009E Bonds are not subject to the Constitutional Debt Limit.

*Certificates of Participation* - \$7,900,000, Nevada Real Property Corporation State of Nevada General Obligation (Limited Tax) Certificates of Participation (Secure Juvenile Treatment Facility Project), Series 2009, due in annual installments ranging from \$965,000 to \$1,305,000 due on July 1, 2011 through 2017, plus interest ranging from 5.00% to 5.125% payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup>, commencing July 1, 2010. The 2009 Certificates are not subject to prepayment prior to their maturity dates. The 2009 Certificates are being issued to prepay the entire outstanding principal balance of the 1999 Certificates.

*Advances from the Federal Unemployment Account* - As of January 19, 2010, the State has drawn repayable advances of \$182.2 million. The State has applied for and may still draw up to \$164.9 million to meet State unemployment insurance obligations through March 31, 2010. Thereafter loan requests may be submitted every 90 days.

*Pending Litigation* - In September of 2009, the State submitted a proof of claim in the Lehman Brothers Holding, Inc. ("Lehman") bankruptcy proceedings. This proof of claim documented the State's claim in that bankruptcy proceeding under various Lehman notes owned by the State. The bankruptcy court will determine the value of the State's claim.

## Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Sources of Financial Resources</b>								
Fund balances, July 1	\$ 698,548	\$ 698,548	\$ 698,548	\$ -	\$ 415,731	\$ 415,731	\$ 415,731	\$ -
<b>Revenues:</b>								
Sales taxes	1,162,783	873,156	859,536	(13,620)	-	-	-	-
Gaming taxes, fees, licenses	1,122,657	824,865	815,080	(9,785)	-	-	-	-
Intergovernmental	1,484,206	2,304,338	1,849,223	(455,115)	229,922	342,205	357,766	15,561
Other taxes	1,211,735	1,046,257	1,009,192	(37,065)	352,504	298,345	296,585	(1,760)
Sales, charges for services	181,887	191,234	182,702	(8,532)	25,109	28,189	16,375	(11,814)
Licenses, fees and permits	482,733	478,908	436,719	(42,189)	197,771	176,599	176,709	110
Interest	43,020	34,670	25,755	(8,915)	7,693	14,040	10,141	(3,899)
Other	238,367	316,630	252,771	(63,859)	49,532	50,914	42,003	(8,911)
<b>Other financing sources:</b>								
Proceeds from sale of bonds	-	10,500	10,508	8	-	20,000	20,000	-
Transfers	320,439	1,031,744	1,284,770	253,026	20,488	28,007	27,356	(651)
Reversions from other funds	-	-	16,487	16,487	-	-	-	-
<b>Total sources</b>	<b>6,946,375</b>	<b>7,810,850</b>	<b>7,441,291</b>	<b>(369,559)</b>	<b>1,298,750</b>	<b>1,374,030</b>	<b>1,362,666</b>	<b>(11,364)</b>
<b>Uses of Financial Resources</b>								
<b>Expenditures and encumbrances:</b>								
Constitutional agencies	169,014	437,295	274,364	162,931	-	-	-	-
Finance and administration	74,039	77,262	68,693	8,569	-	-	-	-
Education	2,555,467	3,119,553	2,951,859	167,694	-	-	-	-
Human services	2,595,313	2,957,627	2,770,587	187,040	-	-	-	-
Commerce and industry	182,702	228,022	132,307	95,715	-	-	-	-
Public safety	477,320	577,265	450,357	126,908	226,900	229,215	199,314	29,901
Infrastructure	297,477	378,030	197,966	180,064	727,009	891,432	772,626	118,806
Special purpose agencies	38,011	42,192	36,254	5,938	-	-	-	-
<b>Other financing uses:</b>								
Transfers to other funds	50,082	72,407	72,407	-	88,996	95,599	95,599	-
Reversions to other funds	-	-	8,538	(8,538)	-	-	38	(38)
<b>Projected reversions</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>-</b>	<b>(95,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total uses</b>	<b>6,344,425</b>	<b>7,794,653</b>	<b>6,963,332</b>	<b>831,321</b>	<b>1,042,905</b>	<b>1,216,246</b>	<b>1,067,577</b>	<b>148,669</b>
<b>Fund balances, June 30</b>	<b>\$ 601,950</b>	<b>\$ 16,197</b>	<b>\$ 477,959</b>	<b>\$ 461,762</b>	<b>\$ 255,845</b>	<b>\$ 157,784</b>	<b>\$ 295,089</b>	<b>\$ 137,305</b>



NEVADA

Municipal Bond Bank

Stabilize the Operations of State Government

Municipal Bond Bank				Stabilize the Operations of State Government			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 12	\$ 12	\$ 12	\$ -	\$ 84,205	\$ 84,205	\$ 84,205	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69,569	69,569	30,175	(39,394)	-	-	144	144
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	625	625	-
-	-	-	-	-	-	-	-
69,581	69,581	30,187	(39,394)	84,205	84,830	84,974	144
-	-	-	-	10,535	10,535	4,315	6,220
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,038	1,038	635	403
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69,581	69,581	30,187	39,394	72,000	72,000	72,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69,581	69,581	30,187	39,394	83,573	83,573	76,950	6,623
\$ -	\$ -	\$ -	\$ -	\$ 632	\$ 1,257	\$ 8,024	\$ 6,767

**Notes to Required Supplementary Information  
Budgetary Reporting**



NEVADA

*For the Fiscal Year Ended June 30, 2009*

The accompanying Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds presents both the original and the final legally adopted budgets, as well as actual data on a budgetary basis. (Note 2 of the basic financial statements identifies the budgeting process and control.)

The original budget is adopted through passage of the General Appropriations Act, which allows for expenditures from unrestricted revenues, while the Authorized Expenditures Act allows for expenditures from revenues collected for specific purposes (restricted revenues). For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of September 17 are reported instead of the amounts disclosed in the original budget. The September 17, 2009 date is used because this is the date for which the Legislative Interim Finance Committee affected the last changes to the fiscal year ended June 30, 2009 budget as permitted by NRS 353.220.

Since the budgetary and GAAP presentations of actual data differ, a reconciliation of ending fund balances is presented below (expressed in thousands):

	General Fund	State Highway	Municipal Bond Bank	Stabilize the Operations of State Government
<b>Fund balances (budgetary basis) June 30, 2009</b>	\$ 477,959	\$ 295,089	\$ -	\$ 8,024
<b>Adjustments:</b>				
<i>Basis differences:</i>				
Petty cash or outside bank accounts	9,301	191	-	-
Investments not recorded on the budgetary basis	21,002	-	326,335	-
Accrual of certain other receivables	121,457	6,233	6	30
Inventory	-	11,743	-	-
Advances to other funds	4,944	2	-	-
Accrual of certain accounts payable and other liabilities	(221,439)	-	-	-
Deferred revenues	(213,345)	-	-	(6)
Encumbrances	6,647	2,122	-	-
Other	(13,704)	(5,987)	(219)	(117)
<b>Fund balances (GAAP basis) June 30, 2009</b>	<u>\$ 192,822</u>	<u>\$ 309,393</u>	<u>\$ 326,122</u>	<u>\$ 7,931</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2009, is composed of both restricted funds, which are not available for appropriation, and unrestricted funds as follows (expressed in thousands):

Total fund balance (budgetary basis)	\$ 477,959
Restricted funds	<u>(267,755)</u>
<b>Unrestricted fund balance (budgetary basis)</b>	<u>\$ 210,204</u>

There were no expenditures in excess of appropriations or authorizations in the individual budget accounts for the year.

## Schedule of Funding Progress Pension Plans



For the Fiscal Year Ended June 30, 2009

### Legislator's Retirement System (LRS)

*Schedule of Funding Progress* - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. A schedule of funding progress as of January 1 follows (expressed in thousands):

Valuation Year	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
2005	\$ 5,862	\$ 4,102	\$ 1,760	70%	\$ 452	389%
2007	5,884	4,323	1,561	73%	328	476%
2009	5,955	4,229	1,726	71%	351	492%

Trends can be affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefits provisions and in actuarial methods and assumptions can also affect trends.

Actuarial valuation is performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

### Judicial Retirement System (JRS)

*Schedule of Funding Progress* - Actuarial valuations of the JRS are prepared annually on a calendar year basis to determine State contributions required to fund the system on an actuarial basis. A schedule of funding progress as of January 1 follows (expressed in thousands):

Valuation Year	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
2007	\$ 55,009	\$ 32,431	\$ 22,578	59%	\$ 9,088	248%
2008	62,067	40,076	21,991	65%	11,492	191%
2009	67,192	39,764	27,428	59%	11,368	241%

## Schedule of Infrastructure Condition and Maintenance Data



NEVADA

For the Fiscal Year Ended June 30, 2009

The State has adopted the modified approach for reporting infrastructure assets defined as a single roadway network that includes bridges. Bridges are not considered a subsystem as they are included in the cost of road construction. Under this approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of approximately 5,300 centerline miles of roads and approximately 1,100 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. However, the calendar year 2009 assessment is not available as of the date of this report. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The State has set a policy that it will maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. The following tables show that the State's policy regarding the condition level of the roadways and bridges has been met.

### Condition Level of the Roadways

#### Percentage of roadways with an IRI of less than 80

	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%

### Condition Level of the Bridges

#### Percentage of substandard bridges

	2007	2005	2003
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	4%	3%	5%

The following table shows the State's estimate of spending necessary to preserve and maintain the roadway network at, or above, the established condition level and the actual amount spent during the past five fiscal years.

### Maintenance and Preservation Costs

(Expressed in Thousands)

	2009	2008	2007	2006	2005
Estimated	\$ 124,926	\$ 155,051	\$ 243,191	\$ 207,751	\$ 153,148
Actual	121,798	146,507	218,923	196,080	151,363

Maintenance and preservation costs are primarily funded with the fuel taxes, vehicle registration and license fees. The funding level for maintenance and preservation costs is affected by the amount of taxes and fees collected and the amount appropriated for construction of new roadways.



**KAFOURY, ARMSTRONG & CO.**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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*

The Honorable Kim Wallin, CMA, CFM, CPA  
State Controller

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada (the State), as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements and have issued our report thereon dated January 26, 2010 (except for the information contained on pages 72 through 242, as to which the date is March 19, 2010). Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Nevada System of Higher Education and the Colorado River Commission, discretely presented component units; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, and the Retirement Benefits Investment Fund as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Higher Education Tuition Trust Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures 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 State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the State's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State's financial statements that is more than inconsequential will not be prevented or detected by the State's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the State's financial statements are free of 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*.

This report is intended solely for the information and use of the Nevada Legislature, management of the State, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kafoury, Armstrong & Co.*

Reno, Nevada  
January 26, 2010



**KAFOURY, ARMSTRONG & CO.**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133

Legislative Auditor  
Legislative Counsel Bureau  
Capitol Complex  
Carson City, Nevada 89710

Compliance:

We have audited the compliance of the State of Nevada (the State) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. The State's major Federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. As described in our report dated January 26, 2010 (except for the information contained on pages 72 through 242, as to which the date is March 19, 2010), portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our opinion does not provide a legal determination of the State's compliance with those requirements.

In our opinion, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-3, 09-8, 09-10 and 09-21.

Internal Control over Compliance:

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-1 through 09-7 and 09-9 through 09-41 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The State's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's responses, and accordingly, express no opinion on them.

This report is intended solely for the information and use of the Nevada Legislature, management of the State, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kafoury, Armstrong & Co.*

Reno, Nevada  
March 19, 2010

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of Agriculture</b>				
<b>Research and Development CLUSTER</b>				
Agricultural Research_Basic and Applied Research	10.001	58-5325-5-691	\$ 21,892	\$ -
Rural Development, Forestry, and Communities	10.672	08-DG-11046000-617	22,373	-
<b>Total Research and Development CLUSTER</b>			<u>44,265</u>	<u>-</u>
<b>Total Department of Agriculture</b>			<u>44,265</u>	<u>-</u>
<b>Department of the Interior</b>				
<b>Research and Development CLUSTER</b>				
U.S. Geological Survey: Research and Data Collection	15.808	07WRAG0021	5,842	-
U.S. Geological Survey: Research and Data Collection	15.808	08WRAG0006	7,388	-
U.S. Geological Survey: Research and Data Collection	15.808	08WRAG0060	28,000	-
			<u>41,230</u>	<u>-</u>
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2002	195,500	195,500
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2003	145,083	145,083
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2004	171,959	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	58,721	58,721
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2006	115,741	96,262
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2007	62,864	41,500
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2008	146,482	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	123,284	-
			<u>1,019,634</u>	<u>537,066</u>
<b>Total Research and Development CLUSTER</b>			<u>1,060,864</u>	<u>537,066</u>
<b>Total Department of the Interior</b>			<u>1,060,864</u>	<u>537,066</u>
<b>Department of Justice</b>				
<b>Research and Development CLUSTER</b>				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2007-CD-BX-0076	22,967	14,313
<b>Total Research and Development CLUSTER</b>			<u>22,967</u>	<u>14,313</u>
<b>Total Department of Justice</b>			<u>22,967</u>	<u>14,313</u>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of Transportation</b>				
<b>Research and Development CLUSTER</b>				
Highway Planning and Construction	20.205	SFY 09	\$ 1,249,310	-
State Planning and Research	20.515	NV-80-X014-00	558	558
State Planning and Research	20.515	NV-80-X015-00	1,067,276	1,067,276
			<u>2,317,144</u>	<u>1,067,834</u>
<b>Total Research and Development CLUSTER</b>			<u>2,317,144</u>	<u>1,067,834</u>
<b>Total Department of Transportation</b>			<u>2,317,144</u>	<u>1,067,834</u>
<b>Environmental Protection Agency</b>				
<b>Research and Development CLUSTER</b>				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-98962701	15,000	-
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96962801	71,159	-
			<u>86,159</u>	<u>-</u>
Regional Wetland Program Development Grants	66.461	CD-96973301	70,134	-
			<u>156,293</u>	<u>-</u>
<b>Total Research and Development CLUSTER</b>			<u>156,293</u>	<u>-</u>
<b>Total Environmental Protection Agency</b>			<u>156,293</u>	<u>-</u>
<b>Department of Education</b>				
<b>Research and Development CLUSTER</b>				
Statewide Data Systems	84.372	R372A070010	1,326,378	9,051
			<u>1,326,378</u>	<u>9,051</u>
<b>Total Research and Development CLUSTER</b>			<u>1,326,378</u>	<u>9,051</u>
<b>Total Department of Education</b>			<u>1,326,378</u>	<u>9,051</u>
<b>Department of Health and Human Services</b>				
<b>Research and Development CLUSTER</b>				
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	5 STTMP051009-03	23,594	-
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	5 STTMP051009-04	101,506	-
			<u>125,100</u>	<u>-</u>
Primary Care Services_Resource Coordination and Development	93.130	1 U68HP11441-01	65,146	-
Primary Care Services_Resource Coordination and Development	93.130	6 U68CS00199-22	143,051	-
			<u>208,197</u>	<u>-</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-02	148,081	128,914
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-03	144,754	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Injury Prevention and Control Research and State and Community Based Programs	93.136	5U17CE924825-03	\$ 10,419	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136	5U17CE924825-04	74,854	22
			<b>378,108</b>	<b>128,936</b>
Social Services Research and Demonstration	93.647	90TA0023/01	98,390	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199-9/17	87,023	42,000
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-15	151	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-16	276,682	137,027
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-93035-9/04	192,024	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LACMS300023/01	52,118	52,118
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LOCMS030180	104,375	-
			<b>712,373</b>	<b>231,145</b>
			<b>1,522,168</b>	<b>360,081</b>
			<b>1,522,168</b>	<b>360,081</b>
			<b>6,450,079</b>	<b>1,988,345</b>
<b>Total Research and Development CLUSTER</b>				
<b>Total Department of Health and Human Services</b>				
<b>Grand Total Research and Development CLUSTER</b>				
<b>Department of Agriculture</b>				
<b>Child Nutrition CLUSTER</b>				
School Breakfast Program	10.553	7NV300NV3	14,235,544	13,965,748
National School Lunch Program	10.555	7NV300NV3	59,344,104	58,901,065
National School Lunch Program	10.555	SFY00/X/994	7,929,159	7,810,578
			<b>67,273,263</b>	<b>66,711,643</b>
Special Milk Program for Children	10.556	7NV300NV3	83,531	83,531
Summer Food Service Program for Children	10.559	7NV300NV3	1,359,337	1,359,337
Summer Food Service Program for Children	10.559	SFY00/X/994	3,696	3,696
			<b>1,363,033</b>	<b>1,363,033</b>
			<b>82,955,371</b>	<b>82,123,955</b>
<b>Total Child Nutrition CLUSTER</b>				
<b>Emergency Food Assistance CLUSTER</b>				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	364,757	138,386
Emergency Food Assistance Program (Food Commodities)	10.569	SFY 01/X/992	2,257,712	2,248,670

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
ARRA - Emergency Food Assistance Program (Food Commodities)	10.569A	SFY 01/X/992 - ARRA	\$ 15,063	\$ 15,063
			<u>2,272,775</u>	<u>2,263,733</u>
<b>Total Emergency Food Assistance CLUSTER</b>			<u>2,637,532</u>	<u>2,402,119</u>
<b>SNAP CLUSTER</b>				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SFY 2009	243,922,049	-
State Administrative Matching Grants for Supplemental Nutrition	10.561	7NV4004NV	13,859,493	-
<b>Total SNAP CLUSTER</b>			<u>257,781,542</u>	-
<b>Schools and Roads CLUSTER</b>				
Schools and Roads_Grants to States	10.665	N/A	5,409,451	5,409,451
<b>Total Schools and Roads CLUSTER</b>			<u>5,409,451</u>	<u>5,409,451</u>
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	128,374	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1716-CA	6,235	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1721-CA	9,704	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-0016-CA	136,245	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-0526-CA	4,997	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-0596-CA	68,858	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-1057-CA	22,582	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-1085-CA	170,053	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-1118-CA	7,000	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-1153-CA	22,000	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1455-CA	23,162	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1541-CA	17,811	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1636-CA	13,969	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1647-CA	52,967	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1716-CA	26,808	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1721-CA	18,973	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1839-CA	7,688	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-0526-CA	6,491	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-0596-CA	50,397	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1541-CA	395	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1950-CA	53	-
			<u>794,762</u>	-
Avian Influenza Indemnity Program	10.029	08-7100-0156-CA	43,149	-
Federal-State Marketing Improvement Program	10.156	12-25-A-4842	4,411	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Market Protection and Promotion	10.163	12-25-A-4800	2,086	-
Market Protection and Promotion	10.163	12-25-A-4903	1,903	-
Market Protection and Promotion	10.163	12-25-A-4952	450	-
Market Protection and Promotion	10.163	12-25-A-5054	7,357	-
			<b>11,796</b>	<b>-</b>
Specialty Crop Block Grant Program	10.169	12-25-B-0873	1,719	-
Specialty Crop Block Grant Program	10.169	12-25-G-0524	14,913	14,647
Specialty Crop Block Grant Program	10.169	12-25-G-0659	46,155	39,855
			<b>62,787</b>	<b>54,502</b>
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0801	3,500	-
Homeland Security_Agricultural	10.304	07-002558-07-01	48,055	-
State Mediation Grants	10.435	330030887300271-08	19	-
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287	43,955	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	38,404,419	9,178,999
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A 08	64,897	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A 09	50,707	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIEB-04-NV-01	198,731	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIEB-05-NV	316,317	-
			<b>39,035,071</b>	<b>9,178,999</b>
Child and Adult Care Food Program	10.558	7NV300NV3	4,314,331	4,314,331
Child and Adult Care Food Program	10.558	SFY00/X/994	52,371	52,371
			<b>4,366,702</b>	<b>4,366,702</b>
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	110,998	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NV3	1,210,773	1,210,773
			<b>1,321,771</b>	<b>1,210,773</b>
Commodity Supplemental Food Program	10.565	7NV810NV1	1,922,094	1,867,777
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	237,725	-
Food Distribution Program on Indian Reservations	10.567	NONCASH ASSISTANCE/X/892	359,492	-
			<b>597,217</b>	<b>-</b>
Senior Farmers Market Nutrition Program	10.576	7NV810NV2	150,718	133,625
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579A	7NV340NV3-0	347,935	347,935

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Fresh Fruit and Vegetable Program	10.582	7NV300NV3	154,407	154,407
Cooperative Forestry Assistance	10.664	04-CA-11046000-052	6,825	-
Cooperative Forestry Assistance	10.664	05-DG-22020000-010	16	-
Cooperative Forestry Assistance	10.664	06-DG-11010000-019	62,745	62,683
Cooperative Forestry Assistance	10.664	07-DG-11046000-612	58,817	51,582
Cooperative Forestry Assistance	10.664	08-DG-11046000-607	299	-
Cooperative Forestry Assistance	10.664	08-DG-11046000-612	1,200,728	29,535
Cooperative Forestry Assistance	10.664	08-DG-11046000-618	70,494	-
Cooperative Forestry Assistance	10.664	08-FI-11041730-004	166,024	-
Cooperative Forestry Assistance	10.664	USDA/SFA/05/08	125,000	-
Cooperative Forestry Assistance	10.664	USDA/SFA/07/36	101,470	-
			<b>1,792,418</b>	<b>143,800</b>
Forest Products Lab: Technology Marketing Unit (TMU)	10.674	08-DG-11111169-057	122,690	-
Forest Land Enhancement Program	10.677	06-DG-11010000-012	23,292	10,004
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-014	459,268	-
			<b>400,089,913</b>	<b>107,404,049</b>
<b>Total Department of Agriculture</b>				
<b>Department of Commerce</b>				
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0015	3,633,810	-
			<b>3,633,810</b>	<b>-</b>
<b>Department of Defense</b>				
Procurement Technical Assistance for Business Firms	12.002	SP4800-03-2-0338	105,371	-
Procurement Technical Assistance for Business Firms	12.002	SP4800-08-2-0824	313,614	-
			<b>418,985</b>	<b>-</b>
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W19DY-08-2-0137	319,266	-
Military Construction, National Guard	12.400	DAHA26-01-2-2002	157,522	-
Military Construction, National Guard	12.400	W9124X-08 22001 (08-A005)	294,831	-
			<b>452,353</b>	<b>-</b>
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NNNN)	11,574,198	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-09-2-9017	86,819	-
			<b>11,661,017</b>	<b>-</b>
<b>Total Department of Defense</b>			<b>12,851,621</b>	<b>-</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of Housing and Urban Development</b>				
<b>CDBG_State Administered Small Cities Program CLUSTER</b>				
Community Development Block Grants/State's Program	14.228	B-06-DC-32-0001	\$ 1,557,762	\$ 1,499,895
Community Development Block Grants/State's Program	14.228	B-07-DC-32-0001	1,715,994	1,599,754
Community Development Block Grants/State's Program	14.228	B-08-MN-32-0001	821,113	811,319
			<u>4,094,869</u>	<u>3,910,968</u>
			<u>4,094,869</u>	<u>3,910,968</u>
<b>Total CDBG_State Administered Small Cities Program CLUSTER</b>				
Emergency Shelter Grants Program	14.231	S-07-DC-32-0001	257,336	257,336
Shelter Plus Care	14.238	NV0006C9T000801	43,790	-
Shelter Plus Care	14.238	NV01C401002	74,533	-
Shelter Plus Care	14.238	NV01C500001	141,291	-
Shelter Plus Care	14.238	NV01C700006	792,295	-
Shelter Plus Care	14.238	NV01C700007	172,860	-
Shelter Plus Care	14.238	NV01C700008	273,876	-
Shelter Plus Care	14.238	NV01C701005	450,745	-
Shelter Plus Care	14.238	NV01C702005 / TRA	195,118	-
			<u>2,144,508</u>	<u>-</u>
HOME Investment Partnerships Program	14.239	M03-SG320100	330,507	330,507
HOME Investment Partnerships Program	14.239	M04-SG320100	1,204,581	1,028,903
HOME Investment Partnerships Program	14.239	M05-SG320100	397,017	321,789
HOME Investment Partnerships Program	14.239	M06-SG320100	439,562	439,562
HOME Investment Partnerships Program	14.239	M07-SG320100	138,708	138,708
HOME Investment Partnerships Program	14.239	M08-SG320100	431,237	431,237
			<u>2,941,612</u>	<u>2,690,706</u>
Housing Opportunities for Persons with AIDS	14.241	NVH07-F999	42,310	42,310
Housing Opportunities for Persons with AIDS	14.241	NVH08-F999	171,073	171,073
			<u>213,383</u>	<u>213,383</u>
			<u>9,651,708</u>	<u>7,072,393</u>
<b>Total Department of Housing and Urban Development</b>				
<b>Department of the Interior</b>				
<b>Fish and Wildlife CLUSTER</b>				
Sport Fish Restoration	15.605	F-20-44	1,334,967	-
Sport Fish Restoration	15.605	F-30-AE-20	300,559	-
Sport Fish Restoration	15.605	F-32-D-18	1,439,167	-
Sport Fish Restoration	15.605	F-38-D-3	700,000	-
Sport Fish Restoration	15.605	F-39-B-1	102,543	-

**STATE OF NEVADA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number			
Sport Fish Restoration	15.605	F-40-B-1		\$ 3,393	\$ -
Sport Fish Restoration	15.605	F-41-B-1		61,028	-
Sport Fish Restoration	15.605	F-42-B-1		66,705	-
Sport Fish Restoration	15.605	F-46-B-1		185,330	-
Sport Fish Restoration	15.605	F-47-B-1		14,225	-
Sport Fish Restoration	15.605	F-48-B-1		30,942	-
Sport Fish Restoration	15.605	FW-1-CP-9-F		13,152	-
Sport Fish Restoration	15.605	FW-3-T-27-F		247,648	-
Sport Fish Restoration	15.605	FW-4-D-15-F		194,694	-
				<b>4,694,353</b>	-
Wildlife Restoration	15.611	FW-1-CP-9-W		12,866	-
Wildlife Restoration	15.611	FW-3-T-27-W		680,029	-
Wildlife Restoration	15.611	FW-4-D-15-W		921,029	-
Wildlife Restoration	15.611	W-48-R-40		2,062,227	-
Wildlife Restoration	15.611	W-58-D-19		540,217	-
Wildlife Restoration	15.611	W-61-D-12		134,179	-
Wildlife Restoration	15.611	W-64-R-9		409,197	-
Wildlife Restoration	15.611	W-67-D-1		10,498	-
				<b>4,770,242</b>	-
<b>Total Fish and Wildlife CLUSTER</b>				<b>9,464,595</b>	-
Distribution of Receipts to State and Local Governments	15.227	SFY 08		226,661	226,661
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	FAA080042		7,500	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	FAA080086		34,906	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	FAA080087		114,917	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC13237		31,352	-
				<b>188,675</b>	-
Wild Horse and Burro Resource Management	15.229	FAA060003		17,998	-
Wild Horse and Burro Resource Management	15.229	FAA060180		192,984	-
				<b>210,982</b>	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	FAA060209		19,104	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	FAA070020		56,920	-
				<b>76,024</b>	-
Southern Nevada Public Land Management Act	15.235	L09AC15293		25,967	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Helium Resource Management	15.240	04-FG-204060	\$ 31,115	\$ -
Water Reclamation and Reuse Program	15.504	04FG204017	275,816	-
Fish and Wildlife Coordination Act	15.517	06FG202105	73,146	-
Fish and Wildlife Coordination Act	15.517	06FG300024	54,415	-
			<b>127,561</b>	-
Recreation Resources Management	15.524	03-FG-200028	120,191	-
Fish and Wildlife Management Assistance	15.608	14320-4-J349	97,148	-
Fish and Wildlife Management Assistance	15.608	84320-5-J308	71,616	-
Fish and Wildlife Management Assistance	15.608	84320-7-J465	96,164	-
Fish and Wildlife Management Assistance	15.608	84420-8-J010	6,122	-
			<b>271,050</b>	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-22	93,117	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-24	192,985	-
Cooperative Endangered Species Conservation Fund	15.615	E-11-RL-1	600,000	-
Cooperative Endangered Species Conservation Fund	15.615	EW-3-10	26,399	-
			<b>912,501</b>	-
Hunter Education and Safety Program	15.626	W-51-HS-34-H	494,585	-
Hunter Education and Safety Program	15.626	W-51-HS-34-J	80,000	-
			<b>574,585</b>	-
Landowner Incentive	15.633	I-1-2	58,891	-
Landowner Incentive	15.633	I-8-1	21,886	-
Landowner Incentive	15.633	I-9-1	27,743	-
			<b>108,520</b>	-
State Wildlife Grants	15.634	FW-1-CP-9-I	1,716	-
State Wildlife Grants	15.634	FW-3-T-27-I	91,364	-
State Wildlife Grants	15.634	T-1-1	739,989	-
State Wildlife Grants	15.634	T-1-1 (I)	2,472	-
State Wildlife Grants	15.634	T-2-P-1-I	91,941	-
State Wildlife Grants	15.634	T-2-P-2	23,523	-
			<b>951,005</b>	-
Migratory Bird Conservation	15.647	10154-6-J103	23,945	-
Migratory Bird Conservation	15.647	80154-8-G001	3,661	-
			<b>27,606</b>	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Historic Preservation Fund Grants-In-Aid	15.904	32-07-21632	\$ 115,660	\$ 115,660
Historic Preservation Fund Grants-In-Aid	15.904	32-08-21733	333,903	30,705
Historic Preservation Fund Grants-In-Aid	15.904	32-09-21834	186,268	-
			<b>635,831</b>	<b>146,365</b>
Rivers, Trails and Conservation Assistance	15.921	H8360060018	13,368	-
			<b>14,242,053</b>	<b>373,026</b>
<b>Total Department of the Interior</b>				
<b>Department of Justice</b>				
State and Local Domestic Preparedness Exercise Report	16.009	2009-91	26,429	-
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2007-RE-CX-0012	145,901	7,024
Juvenile Accountability Incentive Block Grants	16.523	03-JB-BX-0004	36,284	-
Juvenile Accountability Incentive Block Grants	16.523	05-JB-FX-0043	334,233	334,233
Juvenile Accountability Incentive Block Grants	16.523	06-JB-FX-0048	118,097	118,097
Juvenile Accountability Incentive Block Grants	16.523	07-JB-FX-0036	20,546	16,449
Juvenile Accountability Incentive Block Grants	16.523	08-JB-FX-0020	298,959	203,879
			<b>808,119</b>	<b>672,658</b>
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2006-JF-FX-0043	19,021	914
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2007-JF-FX-0061	159,159	4,264
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2008-JF-FX-0016	392,204	317,179
			<b>570,384</b>	<b>322,357</b>
Title V_Delinquency Prevention Program	16.548	2006-JP-FX-0026	22,441	22,441
Title V_Delinquency Prevention Program	16.548	2007-JP-FX-0042	59,479	59,479
			<b>81,920</b>	<b>81,920</b>
National Criminal History Improvement Program (NCHIP)	16.554	2008-RU-BX-K016	66,058	-
Crime Victim Assistance	16.575	05-VG-AX-0035	3,842	-
Crime Victim Assistance	16.575	06-VG-AX-0030	73,303	71,510
Crime Victim Assistance	16.575	07-VG-AX-0032	2,187,387	2,031,081
Crime Victim Assistance	16.575	08-VG-AX-0038	887,788	828,974
			<b>3,152,320</b>	<b>2,931,565</b>
Crime Victim Compensation	16.576	2008-VC-GX-0054	26,323	-
Crime Victim Compensation	16.576	2009-VC-GX-0044	2,059,141	-
			<b>2,085,464</b>	<b>-</b>
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0027	31,754	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Violence Against Women Formula Grants	16.588	2006-WF-AX-0016	314,657	207,712
Violence Against Women Formula Grants	16.588	2007-WF-AX-0016	871,357	688,416
Violence Against Women Formula Grants	16.588	2008-WF-AX-0054	232,456	164,270
ARRA - Violence Against Women Formula Grants	16.588A	2009-EF-S6-0006	1,596	-
			<b>1,420,066</b>	<b>1,060,398</b>
Grants to Encourage Arrest Policies	16.590	2004-WE-AX-0023	35,273	10,399
Residential Substance Abuse Treatment for State Prisoners	16.593	2007-RT-BX-0015	22,248	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2008-RSAT-BX-0038	64,966	-
			<b>87,214</b>	<b>-</b>
State Criminal Alien Assistance Program	16.606	2008-F2068-NV-AP	3,415,645	-
Bulletproof Vest Partnership Grant	16.607	05-BVP-009	1,256	-
Bulletproof Vest Partnership Grant	16.607	07-BVP-07	2,600	-
			<b>3,856</b>	<b>-</b>
Community Prosecution and Project Safe Neighborhoods	16.609	2007-GP-CX-0027	94,211	76,903
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0854	127,895	127,895
Enforcing Underage Drinking Laws Program	16.727	2007-AH-FX-0052	350,000	350,000
Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0067	138,972	138,972
			<b>488,972</b>	<b>488,972</b>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0018	200,167	4,125
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0028	163,386	59,400
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0068	116,249	27,300
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0031	794,361	794,361
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0744	71,539	71,539
			<b>1,345,702</b>	<b>956,725</b>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2008-CD-BX-0025	85,925	79,300
Anti-Gang Initiative	16.744	2007-PG-BX-0054	109,121	89,735
			<b>14,182,229</b>	<b>6,905,851</b>
<b>Total Department of Justice</b>				
<b>Department of Labor</b>				
<b>Employment Service CLUSTER</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-16237-07-55-A-32	1,470,064	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-17580-08-55-A-32	4,952,756	-
Employment Service/Wagner-Peyser Funded Activities	17.207	MI-17102-08-60-A-32	910,394	-
ARRA - Employment Service/Wagner-Peyser Funded Activities	17.207A	ES-17580-08-55-A-32	26,536	-
			<b>7,359,750</b>	<b>-</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-8-5087	\$ 146,633	\$ -
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-9-5087	486,023	-
			<b>632,656</b>	<b>-</b>
Local Veterans' Employment Representative Program	17.804	E-9-5-8-5087	155,251	-
Local Veterans' Employment Representative Program	17.804	E-9-5-9-5087	471,909	-
			<b>627,160</b>	<b>-</b>
			<b>8,619,566</b>	<b>-</b>
<b>Total Employment Service CLUSTER</b>				
<b>WIA CLUSTER</b>				
WIA Adult Program	17.258	AA-16047-07-55-A-32	87,409	10,653
WIA Adult Program	17.258	AA-17140-08-55-A-32	3,993,766	3,615,455
WIA Adult Program	17.258	AG60008	88	-
ARRA - WIA Adult Program	17.258A	AA-17140-08-55-A-32	2,754	-
			<b>4,084,017</b>	<b>3,626,108</b>
WIA Youth Activities	17.259	AA-16047-07-55-A-32	969,551	803,537
WIA Youth Activities	17.259	AA-17140-08-55-A-32	2,668,575	2,313,207
ARRA - WIA Youth Activities	17.259A	AA-17140-08-55-A-32	436,589	430,443
			<b>4,074,715</b>	<b>3,547,187</b>
WIA Dislocated Workers	17.260	AA-16047-07-55-A-32	909,388	619,908
WIA Dislocated Workers	17.260	AA-17140-08-55-A-32	3,456,025	2,412,755
WIA Dislocated Workers	17.260	AG60008	1,062	-
WIA Dislocated Workers	17.260	EH-17647-08-55-A-32	35,374	35,374
WIA Dislocated Workers	17.260	MI-17601-08-60-A-32	22,000	-
ARRA - WIA Dislocated Workers	17.260A	AA-17140-08-55-A-32	11,621	-
			<b>4,435,470</b>	<b>3,068,037</b>
			<b>12,594,202</b>	<b>10,241,332</b>
<b>Total WIA CLUSTER</b>				
Labor Force Statistics	17.002	LM-17837-09-75-J-32	672,753	-
Compensation and Working Conditions	17.005	OS-17931-09-75-J-32	46,700	-
Compensation and Working Conditions	17.005	W9J8-81328	9,586	-
			<b>56,286</b>	<b>-</b>
Unemployment Insurance	17.225	U. I. Trust Fund	1,223,622.165	-
Unemployment Insurance	17.225	UI-16765-08-55-A-32	14,800.182	-
Unemployment Insurance	17.225	UI-18039-09-55-A-32	21,895.976	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	U. I. Trust Fund	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
				\$	\$
ARRA - Unemployment Insurance	17.225A	U. I. Trust Fund		95,394,821	-
ARRA - Unemployment Insurance	17.225A	UI-18039-09-55-A-32		3,183	-
				<b>1,355,716,327</b>	<b>-</b>
Senior Community Service Employment Program	17.235	AD-16146-07-60-A-32		490,545	480,080
Trade Adjustment Assistance	17.245	TA-15315-06-55		126,639	-
Trade Adjustment Assistance	17.245	TA-15902-07-55-A-32		95,156	-
				<b>221,795</b>	<b>-</b>
Work Incentive Grants	17.266	WI-18187-09-75-A-32	2	-	-
Incentive Grants - WIA Section 503	17.267	PI-15669-06-55		16,154	-
Reintegration of Ex-Offenders	17.270	PE-17068-08-60-A-32		88,078	88,078
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-17580-08-55-A-32		76,712	-
Temporary Labor Certification for Foreign Workers	17.273	ES-17580-08-55-A-32		20,570	-
Occupational Safety and Health_State Program	17.503	SP17743SP9		1,112,600	-
Consultation Agreements	17.504	CS16677CS8		15,500	-
Consultation Agreements	17.504	CS17707CS9		597,000	-
				<b>612,500</b>	<b>-</b>
OSHA Data Initiative	17.505	W9F0-3793-00		4,312	-
OSHA Data Initiative	17.505	W9F9-3793-00		1,522	-
				<b>5,834</b>	<b>-</b>
Mine Health and Safety Grants	17.600	MS-18834-09-55-R-32		231,521	-
Mine Health and Safety Grants	17.600	MS17092M80		143,937	-
				<b>375,458</b>	<b>-</b>
				<b>1,380,679,382</b>	<b>10,809,490</b>
<b>Total Department of Labor</b>					
<b>Department of Transportation</b>					
<b>Federal Transit CLUSTER</b>					
Federal Transit_Capital Investment Grants	20.500	NV-04-0008		294,000	294,000
Federal Transit_Formula Grants	20.507	NV-90-X052		437,077	437,077
				<b>731,077</b>	<b>731,077</b>
<b>Total Federal Transit CLUSTER</b>					
<b>Highway Planning and Construction CLUSTER</b>					
Highway Planning and Construction	20.205	SFY 09		334,813,000	15,137,698
ARRA - Highway Planning and Construction	20.205A	SFY 09		192,889	-
				<b>335,005,889</b>	<b>15,137,698</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Recreational Trails Program	20.219	NRT-0001 (001)-2005	16,608	16,608
Recreational Trails Program	20.219	NRT-0001 (001)-2006	229,396	71,496
Recreational Trails Program	20.219	NRT-007	356,331	280,491
Recreational Trails Program	20.219	NRTTP-008	340,222	256,841
			<u>942,557</u>	<u>625,436</u>
<b>Total Highway Planning and Construction CLUSTER</b>			<b>335,948,446</b>	<b>15,763,134</b>
<b>Highway Safety CLUSTER</b>				
State and Community Highway Safety	20.600	US DOT (NHTSA) FFY08	4,183,155	-
State and Community Highway Safety	20.600	US DOT (NHTSA) FFY09	752,380	-
			<u>4,935,535</u>	<u>-</u>
			<u>4,935,535</u>	<u>-</u>
<b>Total Highway Safety CLUSTER</b>				
<b>Transit Services Programs CLUSTER</b>				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-04-0006	2,061,556	2,061,556
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	195,386	195,386
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0035	404,151	404,151
			<u>2,661,093</u>	<u>2,661,093</u>
Job Access_Reverse Commute	20.516	NV-37-X007	25,000	-
Job Access_Reverse Commute	20.516	NV-37-X013	10,751	10,751
			<u>35,751</u>	<u>10,751</u>
New Freedom Program	20.521	NV-57-X001-00	29,946	29,946
			<u>2,726,790</u>	<u>2,701,790</u>
<b>Total Transit Services Programs CLUSTER</b>				
Airport Improvement Program	20.106	3-32-000-005-06	136,588	-
Airport Improvement Program	20.106	3-32-000-006	118,385	-
Airport Improvement Program	20.106	NDOT/Airport Improvement Program	8,250	-
			<u>263,223</u>	<u>-</u>
National Motor Carrier Safety	20.218	27XX32MCO83215780	1,274,436	-
National Motor Carrier Safety	20.218	27XX32MNO83215780	118,224	-
National Motor Carrier Safety	20.218	MN093210000000	25,729	-
			<u>1,418,389</u>	<u>-</u>
High Speed Ground Transportation_Next Generation High Speed Rail Program	20.312	DTFR53-07-H-00004	962,240	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Expenditures	Subrecipients	
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	\$ 928,060	\$ 928,060	
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	1,473,869	1,473,869	
			<u>2,401,929</u>	<u>2,401,929</u>	
Pipeline Safety	20.700	DTPH56-08-G-PHPC26	289,543	-	
Pipeline Safety	20.700	DTPH56-08-G-PHPS03	100,000	-	
			<u>389,543</u>	<u>-</u>	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV7008150	48,839	47,396	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV8008160	81,665	80,687	
			<u>130,504</u>	<u>128,083</u>	
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-08-G-PHPC21	40,500	-	
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-09-G-PHPC18	22,500	-	
			<u>63,000</u>	<u>-</u>	
<b>Total Department of Transportation</b>			<u>351,219,986</u>	<u>21,726,013</u>	
<b>Department of Treasury</b>					
National Foreclosure Mitigation Counseling Program	21.000	PL110-289:95X1350	191,385	182,454	
			<u>191,385</u>	<u>182,454</u>	
<b>Total Department of Treasury</b>					
<b>Equal Employment Opportunity Commission</b>					
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	6FPSLP0006	476,535	-	
			<u>476,535</u>	<u>-</u>	
<b>Total Equal Employment Opportunity Commission</b>					
<b>General Services Administration</b>					
Donation of Federal Surplus Personal Property	39.003	SFY 09	4,219,054	3,887,412	
Election Reform Payments	39.011	SFY04	380,083	91,631	
			<u>4,599,137</u>	<u>3,979,043</u>	
<b>Total General Services Administration</b>					
<b>National Foundation on the Arts and the Humanities</b>					
Promotion of the Arts_Partnership Agreements	45.025	08-6100-2037	618,212	504,879	
Promotion of the Humanities_We the People	45.168	Nevada Humanities 2008-33	1,893	-	
Promotion of the Humanities_We the People	45.168	Nevada Humanities 2009-12	3,888	-	
			<u>5,781</u>	<u>-</u>	
Grants to States	45.310	LS-00-07-0029-07	675,182	67,497	
Grants to States	45.310	LS-00-08-0029-08	1,060,762	528,376	
Grants to States	45.310	LS-00-09-0029-09	6,956	5,000	
			<u>1,742,900</u>	<u>600,873</u>	

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0023-06	299,002	233,623
<b>Total National Foundation on the Arts and the Humanities</b>			<b>2,665,895</b>	<b>1,339,375</b>
<b>Department of Veterans Affairs</b>				
State Cemetery Grants	64.203	01-C07 NV20-09	1,661,669	-
<b>Total Department of Veterans Affairs</b>			<b>1,661,669</b>	<b>-</b>
<b>Environmental Protection Agency</b>				
State Indoor Radon Grants	66.032	K1-96963508-0	213,953	189,999
ARRA - State Clean Diesel Grant Program	66.040A	2W-32000209-0	4,125	-
Region 9 Multi-Media and Geographic Priority Projects	66.117	R9-98944001	21,118	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933606	801,521	-
Water Pollution Control_State and Interstate Program Support	66.419	I-98972809	132,045	-
			<b>933,566</b>	<b>-</b>
State Public Water System Supervision	66.432	F-00910508-4	777,975	-
State Underground Water Source Protection	66.433	G-00945609	85,500	-
Water Quality Management Planning	66.454	C6-97965909	89,091	-
Water Quality Management Planning	66.454	C6-98950106	2,709	-
			<b>91,800</b>	<b>-</b>
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-01	232,988	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-03	57,263	-
			<b>290,251</b>	<b>-</b>
Nonpoint Source Implementation Grants	66.460	C9-97908104	1,345	-
Nonpoint Source Implementation Grants	66.460	C9-97908105	73,364	-
Nonpoint Source Implementation Grants	66.460	C9-97908106	368,217	-
Nonpoint Source Implementation Grants	66.460	C9-97908107	370,245	-
Nonpoint Source Implementation Grants	66.460	C9-97908108	1,068,361	-
Nonpoint Source Implementation Grants	66.460	C9-97908109	104	-
			<b>1,881,636</b>	<b>-</b>
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	T-96954301	28,427	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996005	149,477	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996006	419,295	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996007	5,509,766	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996008	448,513	-
			<b>6,527,051</b>	<b>-</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT-96900301	119,626	-
Water Protection Grants to the States	66.474	WP-96957901-0	5,472	-
Water Protection Grants to the States	66.474	WP-97941201	73,455	-
			<u>78,927</u>	-
Performance Partnership Grants	66.605	BG-97958806-5	1,546,038	-
Performance Partnership Grants	66.605	LS-97904501	556,193	-
			<u>2,102,231</u>	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83260801	17,552	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83303601	152,322	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83348201	105,819	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83387101	49,516	-
			<u>325,209</u>	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915408	102,759	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915409	207,651	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959508-0	4,882	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959509-0	23,538	-
			<u>338,830</u>	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-97906001-0	215,671	-
Solid Waste Management Assistance Grants	66.808	X1-97982001	9,979	-
State and Tribal Response Program Grants	66.817	RP-00934601	578,825	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96941701	49,074	-
Environmental Policy and State Innovation Grants	66.940	EI-96901101	60,268	-
			<u>14,734,042</u>	<u>189,999</u>
<b>Total Environmental Protection Agency</b>				
<b>Department of Energy</b>				
State Energy Program	81.041	DE-FG26-05R021610	342,255	-
Weatherization Assistance for Low-Income Persons	81.042	DE-FG26-06R021683	876,210	750,668
Nuclear Waste Disposal Siting	81.065	YUCCA MTN FFY2006 APPROPRIATION ACT	3,420,295	-

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Federal Grantor / Pass-Through Grantor	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	\$	\$
Office of Environmental Waste Processing	81.104	DE-FG08-99NV13568	567,648	-
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13567	574,328	-
			<u>1,141,976</u>	<u>-</u>
State Energy Program Special Projects	81.119	DE-FG36-08GO48016	24,884	22,745
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	233,070	517,676
Miscellaneous Federal Activities Actions	81.502	DE-FG52-99NV13569	136,418	-
			<u>369,488</u>	<u>517,676</u>
<b>Total Department of Energy</b>			<u>6,175,108</u>	<u>1,291,089</u>
<b>Department of Education</b>				
<b>Early Intervention Services (IDEA) CLUSTER</b>				
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A070019	346,367	-
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A080019	3,125,447	-
			<u>3,471,814</u>	<u>-</u>
			<u>3,471,814</u>	<u>-</u>
<b>Total Early Intervention Services (IDEA) CLUSTER</b>				
<b>Special Education CLUSTER</b>				
Special Education_Grants to States	84.027	H027A060043A	1,256,023	1,256,023
Special Education_Grants to States	84.027	H027A070043	11,197,832	9,157,401
Special Education_Grants to States	84.027	H027A080043	47,282,350	46,725,525
			<u>59,736,205</u>	<u>57,138,949</u>
Special Education_Preschool Grants	84.173	H173A070046	242,470	196,239
Special Education_Preschool Grants	84.173	H173A080046	1,250,218	1,250,218
			<u>1,492,688</u>	<u>1,446,457</u>
			<u>61,228,893</u>	<u>58,585,406</u>
<b>Total Special Education CLUSTER</b>				
<b>State Fiscal Stabilization Fund CLUSTER</b>				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394A	S394A090029	139,626,106	139,626,106
			<u>139,626,106</u>	<u>139,626,106</u>
<b>Total State Fiscal Stabilization Fund CLUSTER</b>				
<b>Title I, Part A CLUSTER</b>				
Title I Grants to Local Educational Agencies	84.010	S010A060028	309,995	56,491
Title I Grants to Local Educational Agencies	84.010	S010A070028	19,221,250	17,870,335
Title I Grants to Local Educational Agencies	84.010	S010A080028	68,054,730	68,054,730
			<u>87,585,975</u>	<u>85,981,556</u>
			<u>87,585,975</u>	<u>85,981,556</u>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Vocational Rehabilitation CLUSTER</b>				
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A080041	\$ 11,243,834	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A090041	5,258,207	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income	423,348	-
			<b>16,925,389</b>	-
ARRA - Rehabilitation Services - Vocation Rehabilitation Grants to States, Recovery Act	84.390A	H390A090041	591,848	-
			<b>17,517,237</b>	-
<b>Total Vocational Rehabilitation CLUSTER</b>				
Adult Education_State Grant Program	84.002	2009-2680-10	7,419	-
Adult Education_State Grant Program	84.002	V002A070028	214,060	97,882
Adult Education_State Grant Program	84.002	V002A080028	4,009,965	3,906,081
			<b>4,231,444</b>	<b>4,003,963</b>
Migrant Education_State Grant Program	84.011	S011A060028	2,149	2,149
Migrant Education_State Grant Program	84.011	S011A070028	212,141	202,148
Migrant Education_State Grant Program	84.011	S011A080028	11,148	-
			<b>225,438</b>	<b>204,297</b>
Title I Program for Neglected and Delinquent Children	84.013	S013A070028	162,601	161,555
Title I Program for Neglected and Delinquent Children	84.013	S013A080028	162,739	162,739
			<b>325,340</b>	<b>324,294</b>
Career and Technical Education_Basic Grants to States	84.048	V048A070028	1,451,592	931,268
Career and Technical Education_Basic Grants to States	84.048	V048A080028	6,764,486	6,431,116
			<b>8,216,078</b>	<b>7,362,384</b>
Leveraging Educational Assistance Partnership	84.069	N069A080029	82,008	82,008
Leveraging Educational Assistance Partnership	84.069	N069B080024	68,146	68,146
			<b>150,154</b>	<b>150,154</b>
Migrant Education_Coordination Program	84.144	S144F060028	54,315	13,419
Migrant Education_Coordination Program	84.144	S144F070028	140,933	132,275
Migrant Education_Coordination Program	84.144	S144F080028	7,837	-
			<b>203,085</b>	<b>145,694</b>
Rehabilitation Services_Client Assistance Program	84.161	H161A080029	58,172	-
Rehabilitation Services_Client Assistance Program	84.161	H161A090029	54,414	-
			<b>112,586</b>	-
Independent Living_State Grants	84.169	H169A080013	207,137	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B080028	54,716	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B090028	142,956	-
			<b>197,672</b>	<b>-</b>
Byrd Honors Scholarships	84.185	S185A070030	126,827	126,827
Byrd Honors Scholarships	84.185	S185A080030	197,924	197,924
			<b>324,751</b>	<b>324,751</b>
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B070030	3,947	3,947
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B080030	245,105	245,105
Safe and Drug-Free Schools and Communities_State Grants	84.186	S186A070029	602,561	551,712
Safe and Drug-Free Schools and Communities_State Grants	84.186	S186A080029	540,643	518,878
			<b>1,392,256</b>	<b>1,319,642</b>
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A070042B	75,312	-
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A080042	224,375	-
			<b>299,687</b>	<b>-</b>
Education for Homeless Children and Youth	84.196	S196A060029	33,602	16,848
Education for Homeless Children and Youth	84.196	S196A070029	144,774	96,626
Education for Homeless Children and Youth	84.196	S196A080029	177,601	177,601
			<b>355,977</b>	<b>291,075</b>
Even Start_State Educational Agencies	84.213	S213C060029	1,284	893
Even Start_State Educational Agencies	84.213	S213C070029	411,650	393,906
Even Start_State Educational Agencies	84.213	S213C080029	268,750	248,583
			<b>681,684</b>	<b>643,382</b>
Fund for the Improvement of Education	84.215	R215V020031	96,379	96,379
Fund for the Improvement of Education	84.215	U215K080262	362,689	362,146
			<b>459,068</b>	<b>458,525</b>
Assistive Technology	84.224	H224A080028A	299,864	199,253
Tech-Prep Education	84.243	V243A080028	506,024	479,650
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service	84.265	H265A050017	19,776	-
Charter Schools	84.282	U282A050003	28,180	-
Twenty-First Century Community Learning Centers	84.287	S287A060028	79,595	46,663
Twenty-First Century Community Learning Centers	84.287	S287A070028	2,817,792	2,627,617
Twenty-First Century Community Learning Centers	84.287	S287A080028	3,198,441	3,198,441
			<b>6,095,828</b>	<b>5,872,721</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Innovative Education Program Strategies	84.298	S298A060028	7,905	-
Innovative Education Program Strategies	84.298	S298A070028	512,607	424,255
			<b>520,512</b>	<b>424,255</b>
Education Technology State Grants	84.318	S318X070028	1,275,435	1,243,978
Education Technology State Grants	84.318	S318X080028	372,572	328,452
			<b>1,648,007</b>	<b>1,572,430</b>
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A020006	121,948	121,074
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A070024	861,892	598,851
			<b>983,840</b>	<b>719,925</b>
Advanced Placement Program	84.330	S330B080008	139,973	139,973
Grants to States for Incarcerated Youth Offenders	84.331	Q331A060029	96,650	-
Grants to States for Incarcerated Youth Offenders	84.331	Q331A070029	120,878	-
			<b>217,528</b>	<b>-</b>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	1,480,063	1,187,371
Reading First State Grants	84.357	S357A060029	241,241	196,803
Reading First State Grants	84.357	S357A070029	5,372,725	4,796,265
Reading First State Grants	84.357	S357A080029	1,067,521	1,067,521
			<b>6,681,487</b>	<b>6,060,589</b>
English Language Acquisition Grants	84.365	T365A060028	282,544	210,633
English Language Acquisition Grants	84.365	T365A070028	854,576	655,611
English Language Acquisition Grants	84.365	T365A080028	5,464,988	5,464,988
			<b>6,602,108</b>	<b>6,331,232</b>
Mathematics and Science Partnerships	84.366	S366A070029	731,830	652,476
Mathematics and Science Partnerships	84.366	S366A080029	278,594	263,379
			<b>1,010,424</b>	<b>915,855</b>
Improving Teacher Quality State Grants	84.367	S367A070027	3,352,431	3,210,936
Improving Teacher Quality State Grants	84.367	S367A080027	13,222,039	12,960,950
			<b>16,574,470</b>	<b>16,171,886</b>
Grants for Enhanced Assessment Instruments	84.368	S368A060005	234,209	-
Grants for State Assessments and Related Activities	84.369	S369A070029	4,782,906	125,571
Grants for State Assessments and Related Activities	84.369	S369A080029	507,322	31,677
			<b>5,290,228</b>	<b>157,248</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
School Improvement Grants	84.377	S377A070029	\$ 594,058	\$ 592,566
School Improvement Grants	84.377	S377A080029	1,188,747	1,174,490
			<u>1,782,805</u>	<u>1,767,056</u>
ARRA - Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399A	H399A090028	64,138	-
<b>Total Department of Education</b>			<u>376,991,846</u>	<u>341,420,673</u>
<b>National Archives and Records Administration</b>				
National Historical Publications and Records Grants	89.003	NAR08-RS-10041-08	3,706	-
			<u>3,706</u>	<u>-</u>
<b>Total National Archives and Records Administration</b>				
<b>Election Assistance Commission</b>				
Help America Vote Act Requirements Payments	90.401	HAVA-FY05	498,712	-
			<u>498,712</u>	<u>-</u>
<b>Total Election Assistance Commission</b>				
<b>Department of Health and Human Services</b>				
<b>Aging CLUSTER</b>				
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	07-AA-NV-T3SP	68,107	68,107
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	08-AA-NV-T3SP	2,530,530	2,484,603
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	09-AA-NV-T3SP	486,560	-
			<u>3,085,197</u>	<u>2,552,710</u>
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	07-AA-NV-T3SP	284,752	284,752
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	08-AA-NV-T3SP	1,541,263	1,239,698
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	09-AA-NV-T3SP	2,133,150	1,559,654
			<u>3,959,165</u>	<u>3,084,104</u>
Nutrition Services Incentive Program	93.053	07AANVNSIP	10,766	10,766
Nutrition Services Incentive Program	93.053	08AANVNSIP	260,540	260,540
Nutrition Services Incentive Program	93.053	09AANVNSIP	277,853	277,853
Nutrition Services Incentive Program	93.053	SFY 01	111,481	111,481
			<u>660,640</u>	<u>660,640</u>
<b>Total Aging CLUSTER</b>			<u>7,705,002</u>	<u>6,297,454</u>
<b>CCDF CLUSTER</b>				
Child Care and Development Block Grant	93.575	G0801NVCCDF	3,367,595	-
Child Care and Development Block Grant	93.575	G0901NVCCDF	8,202,629	-
			<u>11,570,224</u>	<u>-</u>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0801NVCCDF	10,476,276	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0901NVCCDF	14,203,538	-
			<u>24,679,814</u>	<u>-</u>
<b>Total CCDF CLUSTER</b>			<b>36,250,038</b>	<b>-</b>
<b>CSBG CLUSTER</b>				
Community Services Block Grant	93.569	G-08B1NVCOSR	2,459,954	2,336,957
Community Services Block Grant	93.569	G-09B1NVCOSR	1,251,406	1,223,482
			<u>3,711,360</u>	<u>3,560,439</u>
<b>Total CSBG CLUSTER</b>			<b>3,711,360</b>	<b>3,560,439</b>
<b>Head Start CLUSTER</b>				
Head Start	93.600	09CD0009/03	68,730	7,673
Head Start	93.600	09CD0009/04	38,865	24,732
			<u>107,595</u>	<u>32,405</u>
<b>Total Head Start CLUSTER</b>			<b>107,595</b>	<b>32,405</b>
<b>Immunization CLUSTER</b>				
Immunization Grants	93.268	2 H23/IP922549-06	1,269,050	806,757
Immunization Grants	93.268	2 H23/IP922549-07	1,193,577	650,387
Immunization Grants	93.268	Direct Assistance	26,076,811	-
			<u>28,539,438</u>	<u>1,457,144</u>
<b>Total Immunization CLUSTER</b>			<b>28,539,438</b>	<b>1,457,144</b>
<b>Medicaid CLUSTER</b>				
State Medicaid Fraud Control Units	93.775	01-0801-NV-5050	200,599	-
State Medicaid Fraud Control Units	93.775	01-0901-NV-5050	975,574	-
			<u>1,176,173</u>	<u>-</u>
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0805-NV-5000	427,531	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0805-NV-5002	37,216	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0905-NV-5000	1,015,468	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0905-NV-5002	47,354	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	5-0805NV5001	170,534	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	5-0905NV5001	462,374	-
			<u>2,160,477</u>	<u>-</u>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Medical Assistance Program	93.778	05-0805NV5028 (MAP)	186,943,533	-
Medical Assistance Program	93.778	05-0805NV5048 (ADM)	12,690,350	-
Medical Assistance Program	93.778	05-0905NV5028	506,788,222	-
Medical Assistance Program	93.778	05-0905NV5048	35,181,747	-
ARRA - Medical Assistance Program	93.778A	05-0905NVARRA (MAP)	128,593,284	-
			<u>870,197,136</u>	<u>-</u>
<b>Total Medicaid CLUSTER</b>			<b>873,533,786</b>	<b>-</b>
<b>TANF CLUSTER</b>				
Temporary Assistance for Needy Families	93.558	G-0801NVTANF	33,864,295	-
Temporary Assistance for Needy Families	93.558	G-0901NVTANF	22,335,398	-
			<u>56,199,693</u>	<u>-</u>
<b>Total TANF CLUSTER</b>			<b>56,199,693</b>	<b>-</b>
Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	08-AA-NV-T7SP	9,730	-
Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	09-AA-NV-T7SP	28,235	1,053
			<u>37,965</u>	<u>1,053</u>
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	08-AA-NV-T7SP	32,793	6,848
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	09-AA-NV-T7SP	81,726	2,652
			<u>114,519</u>	<u>9,500</u>
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	07-AA-NV-T3SP	1,524	1,524
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	08-AA-NV-T3SP	144,209	144,209
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	09-AA-NV-T3SP	7,005	7,005
			<u>152,738</u>	<u>152,738</u>
Special Programs for the Aging_ Title IV_and Title II_Discretionary Projects	93.048	90 AM 3056	166,825	-
Special Programs for the Aging_ Title IV_and Title II_Discretionary Projects	93.048	90AM3004/01	70,950	24,916
Special Programs for the Aging_ Title IV_and Title II_Discretionary Projects	93.048	90AM3164/01	23,500	23,500
Special Programs for the Aging_ Title IV_and Title II_Discretionary Projects	93.048	90AM3164/02	100,000	100,000
Special Programs for the Aging_ Title IV_and Title II_Discretionary Projects	93.048	90MP0019/01	12,375	-
			<u>373,650</u>	<u>148,416</u>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Alzheimer's Disease Demonstration Grants to States	93.051	90A10019/01	74,377	72,549
National Family Caregiver Support	93.052	06-AA-NV-T3SP	14,686	14,686
National Family Caregiver Support	93.052	07-AA-NV-T3SP	54,323	54,323
National Family Caregiver Support	93.052	08-AA-NV-T3SP	908,127	739,733
National Family Caregiver Support	93.052	09-AA-NV-T3SP	100,564	-
			<b>1,077,700</b>	<b>808,742</b>
Public Health Emergency Preparedness	93.069	5 U90/TP916964-08	3,138,229	2,928,550
Public Health Emergency Preparedness	93.069	5 U90/TP916964-09	5,582,093	4,181,435
			<b>8,720,322</b>	<b>7,109,985</b>
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0012/01	439,406	404,637
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0012/02	379,469	302,320
			<b>818,875</b>	<b>706,957</b>
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-15	62,115	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-16	45,991	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H25MC00229-05	66,928	19,875
			<b>175,034</b>	<b>19,875</b>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU0907855-18	163,576	110,197
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU0907855-17	328,384	252,736
			<b>491,960</b>	<b>362,933</b>
Emergency Medical Services for Children	93.127	6 H33MC06694-03	91,983	28,795
Emergency Medical Services for Children	93.127	6 H33MC06694-04	12,129	-
			<b>104,112</b>	<b>28,795</b>
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060029-08	355,201	171,434
Family Planning_Services	93.217	5 FHPA091175-33	649,701	117,044
Traumatic Brain Injury State Demonstration Grant Program	93.234	6 H21MC06753-02-02	101,623	-
Traumatic Brain Injury State Demonstration Grant Program	93.234	6 H21MC06753-03	35,080	9,670
			<b>136,703</b>	<b>9,670</b>
Abstinence Education Program	93.235	G-0701NVAEGP	15,160	-
Abstinence Education Program	93.235	G-0801NVAEGP	186,801	83,140
			<b>201,961</b>	<b>83,140</b>

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Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	\$	\$
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1 HR1 SM058080-01	41,444	-
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 HR1 SM058080-02	77,862	-
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 HS5 SM56551-02	27,061	-
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 HS5 SM56551-04	149,039	142,063
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 HS5 SM56551-05	405,885	249,664
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 U79 SP011179-04	599,902	559,965
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5 U79 SP011179-05	3,116,190	2,980,886
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	U9SM57416A	283,294	237,178
			<b>4,700,677</b>	<b>4,169,756</b>
Universal Newborn Hearing Screening	93.251	2 H61MC00096-06	26,654	9,120
Universal Newborn Hearing Screening	93.251	2 H61MC00096-07	186,889	36,480
			<b>213,543</b>	<b>45,600</b>
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	1 U51/PS000874-01	69,244	69,012
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	1 U58/DP001535-01	289,568	7,373
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	1 UR3DD000411-01	31,316	15,000
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U50/C1000489-02	477,945	334,842
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U50C1000489-03	133,008	125,314
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U51/PS000874-02	23,954	22,302
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U58/DP922830-05W1	1,277,052	959,244
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	Program Income	74,125	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/DP000804-01	310,591	10,181
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/DP000804-02	3,050,395	141,688
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/DP002003-01	192,688	156,849
			<b>5,929,886</b>	<b>1,841,805</b>

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Promoting Safe and Stable Families	93.556	G-0611NVFPSS	8,650	8,650
Promoting Safe and Stable Families	93.556	G-0701NV00FP	709,523	624,338
Promoting Safe and Stable Families	93.556	G-0801NVFPSS	742,545	650,209
Promoting Safe and Stable Families	93.556	G-0811NVFPCV	3,507	-
			<b>1,464,225</b>	<b>1,283,197</b>
Child Support Enforcement	93.563	0904NV4004	21,793,022	-
Child Support Enforcement	93.563	G0804NV4004	4,989,572	2,399,253
ARRA - Child Support Enforcement	93.563A	0904NV4002	19,593	19,593
			<b>26,802,187</b>	<b>2,418,846</b>
Low Income Home Energy Assistance	93.568	G-08B1NVLIEA	1,384,986	-
Low Income Home Energy Assistance	93.568	G-09B1NVLIEA	6,487,171	-
			<b>7,872,157</b>	<b>-</b>
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/03	119,903	119,894
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/04	100,106	100,106
			<b>220,009</b>	<b>220,000</b>
State Court Improvement Program	93.586	G-0601NVSCID	54,470	-
State Court Improvement Program	93.586	G-0601NVSCIP	64,207	-
State Court Improvement Program	93.586	G-0601NVSCIT	23,292	-
State Court Improvement Program	93.586	G-0701NVSCID	38,480	-
State Court Improvement Program	93.586	G-0701NVSCIP	124,468	-
State Court Improvement Program	93.586	G-0701NVSCIT	78,393	-
State Court Improvement Program	93.586	G-0801NVSCIP	57,500	-
			<b>440,810</b>	<b>-</b>
Community-Based Child Abuse Prevention Grants	93.590	G-0801NVFRPG	357,049	309,637
Grants to States for Access and Visitation Programs	93.597	G-0701NVSAVP	43,544	-
Grants to States for Access and Visitation Programs	93.597	G-0801NVSAVP	37,076	-
			<b>80,620</b>	<b>-</b>
Chafee Education and Training Vouchers Program (ETV)	93.599	0701NVCETV	33,389	33,389
Chafee Education and Training Vouchers Program (ETV)	93.599	0801NVCETV	328,820	328,820
			<b>362,209</b>	<b>362,209</b>
Adoption Incentive Payments	93.603	0701NVAI99	110,804	82,641
Adoption Incentive Payments	93.603	0801NVAI99	40,401	31,640
			<b>151,205</b>	<b>114,281</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0503NVVOTE	2,333	2,333
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0603NVVOTE	8,257	7,667
			<u>10,590</u>	<u>10,000</u>
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0701NVADBS	10,249	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0801NVADBS	364,202	-
			<u>374,451</u>	<u>-</u>
Children's Justice Grants to States	93.643	G-0601NVCJA1	19,618	16,795
Children's Justice Grants to States	93.643	G-0701NVCJA1	57,492	12,118
			<u>77,110</u>	<u>28,913</u>
Child Welfare Services_State Grants	93.645	G-0801-NV-1400	582,187	62,005
Child Welfare Services_State Grants	93.645	G-0901NV1400	1,799,013	186,014
			<u>2,381,200</u>	<u>248,019</u>
Foster Care_Title IV-E	93.658	0801NV1401	14,710,728	10,085,590
Foster Care_Title IV-E	93.658	0901NV1401	23,063,042	21,694,276
ARRA - Foster Care_Title IV-E	93.658A	0901NV1402	771,818	638,884
			<u>38,545,588</u>	<u>32,418,750</u>
Adoption Assistance	93.659	0801NV1407	2,370,457	1,792,266
Adoption Assistance	93.659	0901NV1407	9,307,070	9,275,223
ARRA - Adoption Assistance	93.659A	0901NV1403	791,716	746,924
			<u>12,469,243</u>	<u>11,814,413</u>
Social Services Block Grant	93.667	G-0801NVSOSR	4,388,606	401,540
Social Services Block Grant	93.667	G-0901NVSOS2	76,205	-
Social Services Block Grant	93.667	G-0901NVSOSR	11,532,128	879,043
			<u>15,996,939</u>	<u>1,280,583</u>
Child Abuse and Neglect State Grants	93.669	G-0501NVCA01	126,659	15,584
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0701NVFVPS	208,287	205,267
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0801NVFVPS	854,439	821,102
			<u>1,062,726</u>	<u>1,026,369</u>
Chafee Foster Care Independence Program	93.674	G-0701NV1420	624,462	594,585
Chafee Foster Care Independence Program	93.674	G-0801NV1420	507,399	461,048
			<u>1,131,861</u>	<u>1,055,633</u>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
State Children's Insurance Program	93.767	06-0505NV5021	8,526,256	-
State Children's Insurance Program	93.767	07-0505NV5021	18,228,190	-
			<b>26,754,446</b>	<b>-</b>
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	5-1QAC30324A	124,302	-
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	92412	328,168	-
			<b>452,470</b>	<b>-</b>
National Bioterrorism Hospital Preparedness Program	93.889	1 U3REP080068-01	2,223,661	1,457,572
National Bioterrorism Hospital Preparedness Program	93.889	6 U3REP070018-01	1,429,575	1,261,168
National Bioterrorism Hospital Preparedness Program	93.889	6 U3RHS07557-01	245,802	171,322
			<b>3,899,038</b>	<b>2,890,062</b>
HIV Care Formula Grants	93.917	2 X07HA00001-19	2,210,230	2,049,010
HIV Care Formula Grants	93.917	6 X07HA00001-18	5,881,125	5,377,744
HIV Care Formula Grants	93.917	Program Income - Rebate	684,573	-
			<b>8,775,928</b>	<b>7,426,754</b>
Special Projects of National Significance	93.928	1 H97HA10567-01	39,515	-
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/DF001227-01	230,131	106,838
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/DF001227-02	61,125	-
			<b>291,256</b>	<b>106,838</b>
HIV Prevention Activities_Health Department Based	93.940	1 U62/PS001140-01	298,611	296,448
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-05	1,653,058	1,551,166
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-05R	27,665	25,719
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-05S1	1,084,703	634,007
			<b>3,064,037</b>	<b>2,507,340</b>
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/PS001038-01	227,124	116,938
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/PS001038-02	233,989	127,863
			<b>461,113</b>	<b>244,801</b>
Block Grants for Community Mental Health Services	93.958	3B09SM010039-08	3,495,276	-

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Federal Grantor / Pass-Through Grantor	CFDA Number	Through Number Award or Pass-	Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Award or Pass-	Through Number	\$	\$
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08T1010039-08		5,246,053	3,936,210
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08T1010039-09S3		8,479,300	5,740,072
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B1NVSAPT-07-3		319,747	125,508
				<b>14,045,100</b>	<b>9,801,790</b>
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25/CCCH904368-17		540,810	457,290
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	U32/CCU922683-05		246,274	70,743
Preventive Health and Health Services Block Grant	93.991	2007-B1-NV-PRVS-01		55,717	-
Preventive Health and Health Services Block Grant	93.991	2B01DP009040-08		156,479	-
Preventive Health and Health Services Block Grant	93.991	2B01DP009040-09		105,555	-
				<b>317,751</b>	<b>-</b>
Maternal and Child Health Services Block Grant to the States	93.994	08B1NVMCHS		850,098	32,392
Maternal and Child Health Services Block Grant to the States	93.994	09B1NVMCHS		795,665	980
				<b>1,645,763</b>	<b>33,372</b>
<b>Total Department of Health and Human Services</b>				<b>1,204,331,451</b>	<b>103,352,858</b>
<b>Corporation for National &amp; Community Service</b>					
Learn and Serve America_School and Community Based Programs	94.004	06LSPNV001-3		121,383	121,383
				<b>121,383</b>	<b>121,383</b>
<b>Total Corporation for National &amp; Community Service</b>					
<b>Social Security Administration</b>					
<b>Disability Insurance/SSI CLUSTER</b>					
Social Security_Disability Insurance	96.001	04-0804NVD100		3,291,483	-
Social Security_Disability Insurance	96.001	04-0904NVD100		9,311,450	-
				<b>12,602,933</b>	<b>-</b>
<b>Total Disability Insurance/SSI CLUSTER</b>				<b>12,602,933</b>	<b>-</b>
<b>Total Social Security Administration</b>				<b>12,602,933</b>	<b>-</b>
<b>Department of Homeland Security</b>					
<b>Homeland Security CLUSTER</b>					
State Domestic Preparedness Equipment Support Program	97.004	2008-IO-T8-0003		458	-
Homeland Security Grant Program	97.067	2005-GE-T5-0039		605,801	-
Homeland Security Grant Program	97.067	2006-GE-T6-0029		6,266,975	4,379,676
Homeland Security Grant Program	97.067	2007-GE-T7-0010		3,688,176	2,824,368
Homeland Security Grant Program	97.067	2008-GE-T8-0030		766,838	749,238
				<b>11,327,790</b>	<b>7,953,282</b>
<b>Total Homeland Security CLUSTER</b>				<b>11,328,248</b>	<b>7,953,282</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Urban Areas Security Initiative	97.008	2007-TU-XM-0015	\$ 4,000	\$ -
Boating Safety Financial Assistance	97.012	18.01.32	388,692	-
Boating Safety Financial Assistance	97.012	19.01.32	936,183	-
			<u>1,324,875</u>	-
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2005-PC-0003	1,017	1,017
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2007-PC-0003	95,216	92,122
			<u>96,233</u>	<u>93,139</u>
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2008-GR-0804	21,144	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2009-GR-0904	44,646	-
			<u>65,790</u>	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E007	1,914	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006	252,578	287
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR	274,076	21,287
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	414,091	358,747
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1738-DR	694,389	694,389
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3243-DR	2,799	2,799
			<u>1,637,933</u>	<u>1,077,509</u>
Hazard Mitigation Grant	97.039	FEMA-1629-DR	50,978	50,732
National Dam Safety Program	97.041	EMW-2007-GR-0760	27,714	-
National Dam Safety Program	97.041	EMW-2008-GR-0657	9,952	-
			<u>37,666</u>	-
Emergency Management Performance Grants	97.042	2006-EM-E6-0009	5,768	-
Emergency Management Performance Grants	97.042	2007-EM-E7-0056	173,376	-
Emergency Management Performance Grants	97.042	2007-EM-E7-0071	301,212	155,868
Emergency Management Performance Grants	97.042	2008-EM-E8-0044	2,162,214	1,285,131
Emergency Management Performance Grants	97.042	2009-EP-E9-0018	706,695	491,794
			<u>3,349,265</u>	<u>1,932,793</u>
State Fire Training Systems Grants	97.043	EMW-2008-GR-0680	15,802	-
Assistance to Firefighters Grant	97.044	EMW-2005-FG-00013	5,868	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Fire Management Assistance Grant	97.046	Disaster # 2705	83,718	83,718
Rail and Transit Security Grant Program	97.075	2005-GB-T5-0014	304,009	304,009
Rail and Transit Security Grant Program	97.075	2006-RL-T6-0007	14,580	14,580
Rail and Transit Security Grant Program	97.075	2007-RL-T7-0103	231,919	229,919
			<b>550,508</b>	<b>548,508</b>
Buffer Zone Protection Plan (BZPP)	97.078	2005-GR-T5-0059	45,475	45,475
Buffer Zone Protection Plan (BZPP)	97.078	2006-BZ-T6-0059	404,408	404,408
Buffer Zone Protection Plan (BZPP)	97.078	2007-BZ-T7-0010	238,719	238,719
Buffer Zone Protection Plan (BZPP)	97.078	2008-BZ-T8-0026	458	-
			<b>689,060</b>	<b>688,602</b>
Real ID Program	97.089	2008 IDT 80019	309,822	-
			<b>19,551,680</b>	<b>12,428,283</b>
<b>Total Department of Homeland Security</b>			<b>3,836,356,953</b>	<b>620,584,324</b>

**STATE OF NEVADA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Reporting** – The accompanying Schedule of Expenditures of Federal Awards is used as a managerial tool by the State Controller’s office, primarily to monitor compliance with the Cash Management Improvement Act. As such, the Schedule separately identifies the expenditures for each Federal program at the grant award level. The Schedule has been prepared on the modified accrual basis of accounting.

The “Expenditures” column includes the amounts reported in the “Payments to Subrecipients” column.

The Federal award programs of the Nevada System of Higher Education are not included in the accompanying Schedule of Expenditures of Federal Awards. Federal award programs of the Nevada System of Higher Education will be reported on separately.

2. NATIONAL SCHOOL LUNCH PROGRAM (10.555)  
FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS (10.567)  
EMERGENCY FOOD ASSISTANCE PROGRAM (10.569)  
ARRA - EMERGENCY FOOD ASSISTANCE PROGRAM (10.569A)  
NUTRITION SERVICES INCENTIVE PROGRAM (93.053)

The expenditures for these programs include the dollar value of food commodities distributed to eligible recipients during the year. The value of commodities is determined by the U.S. Department of Agriculture.

3. FOOD STAMP PROGRAM (10.551)

The expenditures reported for the Food Stamp program consist of the value of the benefits transferred to program participants through the EBT system.

4. UNEMPLOYMENT INSURANCE PROGRAM (17.225 and 17.225A)

The expenditures reported on the Schedule of Expenditures of Federal Awards include both Federal funds and State funds, as required. The State funds represent the amounts expended from the Unemployment Trust Fund. The following identifies the State and Federal portions of the expenditures reported:

State Funds	\$1,214,768,794
State Funds - ARRA	104,248,192
Federal Funds	36,696,158
Federal Funds - ARRA	3,183
Total Reported	<u>\$1,355,716,327</u>

5. IMMUNIZATION GRANTS PROGRAM (93.268)

The expenditures for this program include vaccines received in lieu of cash. The direct assistance has been estimated at the budgeted amounts since actual amounts were not available.

6. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (10.557)

The expenditures for this program include the cost of food vouchers in the amount of \$27,116,623.

## STATE OF NEVADA

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

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7. DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY PROGRAM (39.003)

The amounts recorded for donated surplus property represent the total value of property received from the Federal Government.

8. DISCLOSURE OF AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES

As a recipient of American Recovery and Reinvestment Act (ARRA) funds, the State has agreed to separately identify the expenditures for Federal awards under ARRA on the Schedule of Expenditures of Federal Awards (SEFA) by identifying those expenditures on separate lines and by inclusion of the prefix "ARRA-" in the name. For additional transparency, the State has elected to include the suffix "A" with the Catalog of Federal Domestic Assistance number on the SEFA.

9. OFFICE OF MANAGEMENT AND BUDGET SINGLE AUDIT PILOT PROJECT

**Interim Communication** - The State of Nevada volunteered to participate in a pilot project as a non-Federal entity expending ARRA funds. The project required auditors of entities that volunteered to issue, in writing, an early communication of significant deficiencies and material weaknesses in internal control over compliance for certain requirements of selected Federal programs having expenditures of ARRA funds at an interim date, prior to the completion of the compliance audit. For the State of Nevada, this communication was based on procedures performed through November 30, 2009, for the DOL – 17.225 Unemployment Insurance program, and the DOT – 20.205 Highway Infrastructure Investment Recovery Act/Highway Planning and Construction program. The Communication of Significant Deficiencies and Material Weaknesses Prior to the Completion of the Compliance Audit for Participants in Office of Management and Budget Single Audit Pilot Project ("Interim Communication") was provided in a report dated November 30, 2009. The Interim Communication report included management responses to the reported findings.

This Single Audit Report for the year ended June 30, 2009 includes all significant deficiencies and material weaknesses noted during the audit, including those previously communicated in the Interim Communication. It also includes updates to the management responses for corrective actions taken, if any, since the Interim Communication.

**Audit Relief for Participants** – Participants in the pilot project were not required to perform risk assessment of Type B programs as required under OMB Circular A-133 Section .520 – Major Program Determination, Step 3 and are exempt from Section .520(e)(2), but in lieu agreed to audit as major programs a number of Type B programs expending ARRA awards equal to the lesser of: (1) at least one half of the number of Type A programs identified as low-risk under Step 2 (Section .520(c)); or (2) the number of all Type B programs expending ARRA awards. The auditor could also select non-ARRA Type B programs as major programs, when appropriate.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the basic financial statements of the State of Nevada for the year ended June 30, 2009.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which were material to the financial statements of the State of Nevada.
4. Significant deficiencies, not identified as material weaknesses, in the internal control over major Federal award programs were disclosed.
5. The Auditor's report on compliance with the major Federal award programs for the State of Nevada expresses an unqualified opinion.
6. Audit findings relative to the major Federal award programs for the State of Nevada, which are required to be reported under Section .510(a) of the OMB Circular A-133, are reported in Part C of this Schedule.
7. The programs tested as major programs included:

#### **U.S. Department of Agriculture:**

- Supplemental Nutrition Assistance Program (SNAP) Cluster:
  - Supplemental Nutrition Assistance Program, CFDA 10.551
  - State Administrative Matching Grants for Supplemental Nutrition, CFDA 10.561
- Child Nutrition Cluster:
  - School Breakfast Program, CFDA 10.553
  - National School Lunch Program, CFDA 10.555
  - Special Milk Program for Children, CFDA 10.556
  - Summer Food Service Program for Children, CFDA 10.559
- Emergency Food Assistance Program Cluster:
  - Emergency Food Assistance Program (Administrative Costs), CFDA 10.568
  - Emergency Food Assistance Program (Food Commodities), CFDA 10.569
  - ARRA – Emergency Food Assistance Program (Food Commodities), CFDA 10.569A

#### **U.S. Department of Justice:**

- Violence Against Women Formula Grants:
  - Violence Against Women Formula Grants, CFDA 16.588
  - ARRA – Violence Against Women Formula Grants, CFDA 16.588A

#### **U.S. Department of Labor:**

- Employment Service Cluster:
  - Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207
  - ARRA – Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A
  - Disabled Veterans' Outreach Program (DVOP), CFDA 17.801
  - Local Veterans' Employment Representative Program, CFDA 17.804

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258  
ARRA – WIA Adult Program, CFDA 17.258A  
WIA Youth Activities, CFDA 17.259  
ARRA – WIA Youth Activities, CFDA 17.259A  
WIA Dislocated Workers, CFDA 17.260  
ARRA – WIA Dislocated Workers, CFDA 17.260A

#### Unemployment Insurance:

Unemployment Insurance, CFDA 17.225  
ARRA – Unemployment Insurance, CFDA 17.225A

#### **U.S. Department of Transportation:**

##### Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205  
ARRA – Highway Planning and Construction, CFDA 20.205A  
Recreational Trails Program, CFDA 20.219  
Appalachian Development Highway System, CFDA 23.003

#### **U.S. Department of Education:**

##### Vocational Rehabilitation Cluster:

Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA 84.126  
ARRA – Rehabilitation Services\_Vocational Rehabilitation Grants to States, Recovery Act,  
CFDA 84.390A

##### State Fiscal Stabilization Cluster:

ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act,  
CFDA 84.394A

#### **U.S. Department of Health and Human Services:**

##### Immunization Cluster:

Immunization Grants, CFDA 93.268

##### Medicaid Cluster:

State Medicaid Fraud Control Units, CFDA 93.775  
Hurricane Katrina Relief, CFDA 93.776  
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777  
Medical Assistance Program, CFDA 93.778  
ARRA – Medical Assistance Program, CFDA 93.778A

##### Temporary Assistance to Needy Families (TANF) Cluster:

Temporary Assistance to Needy Families, CFDA 93.558

Centers for Disease Control and Prevention\_Investigations and Technical Assistance, CFDA 93.283

##### Child Support Enforcement:

Child Support Enforcement, CFDA 93.563  
ARRA – Child Support Enforcement, CFDA 93.563A

##### Foster Care:

Foster Care\_Title IV-E, CFDA 93.658  
ARRA – Foster Care\_Title IV-E, CFDA 93.658A

##### Adoption Assistance:

Adoption Assistance, CFDA 93.659  
ARRA – Adoption Assistance, CFDA 93.659A

Social Services Block Grant, CFDA 93.667

HIV Care Formula Grants, CFDA 93.917

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2009, was \$11,509,070.
9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2009 under the criteria set forth in Section .530 of OMB Circular A-133.

#### B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statement audit.

#### C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

See pages 111 through 226.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

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U.S. DEPARTMENT OF LABOR:

Finding 09-1:

Unemployment Insurance, CFDA 17.225:

ARRA – Unemployment Insurance, CFDA 17.225A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.225 and 17.225A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include determining claimant eligibility and disqualification provisions. The Nevada Department of Employment, Training and Rehabilitation Manual of Operations, Chapter 1300, contains a policy to assist in detecting and preventing the filing of fraudulent unemployment claims called the Identity Cross-match Program. This program requires the claimant's data to be matched to the data maintained by the Nevada Department of Motor Vehicles. In the event the claimant data does not match, documentation of the resolution of any validation issues is to be included in the General Unemployment Insurance Development Effort (GUIDE) system.

As part of our testing over eligibility, we reviewed a sample of 40 cases of Unemployment Insurance benefit recipients for documentation of the identity cross-match and the resolution of any validation issues, if applicable. In one of the 40 cases there was a conflict identified by the identity cross-match program. However, we could find no documentation that resolution of the issue was included in the GUIDE system.

*Questioned Costs:* Undetermined.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Fraudulent payments for Unemployment Insurance could be made.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation did not follow the established procedures included in the Manual of Operations, Chapter 1300.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation adhere to the procedures in the Manual of Operations, and ensure that all resolutions of discrepancies resulting from the identity cross-match program are documented.

*Management's Response:* See management's Interim Communication response on page 115. See update to management's response on page 119.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF LABOR:

Finding 09-2:

Unemployment Insurance, CFDA 17.225:  
ARRA – Unemployment Insurance, CFDA 17.225A:

*Grant Award Number:* Affects the American Recovery and Reinvestment Act (ARRA) grant awards included under CFDA 17.225A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in the *OMB Circular A-133 Compliance Supplement Addendum #1*, certain special provisions apply to all programs with expenditures of ARRA awards, including the provision to provide separate identification of ARRA expenditures on the Schedule of Expenditures of Federal Awards (SEFA). The separate identification shall be accomplished by identifying expenditures for Federal awards made under ARRA using the prefix "ARRA-".

During our review of the State's draft SEFA for the year ended June 2009, provided by the State in October 2009, we noted that certain amounts under CFDA 17.225 related to expenditures reimbursed with ARRA funds were not separately identified, and some amounts were not reported at all.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* ARRA funds were not properly identified and reported in the SEFA.

*Cause:* Although the State has a procedure in place for Department personnel to communicate ARRA expenditure information to the preparer of the SEFA, those procedures were not adhered to at the Department of Employment, Training and Rehabilitation (DETR), and the error was not identified by the preparer of the SEFA.

In addition, personnel at DETR did not sufficiently understand this ARRA requirement and there was no independent review of the amounts reported.

*Recommendation:* We recommend that procedures be adhered to in order to ensure that ARRA expenditures are properly identified for inclusion on the SEFA. Additionally, we recommend the requirements of ARRA be reviewed and a secondary review of reported amounts be implemented.

*Management's Response:* See management's Interim Communication response on page 115. See update to management's response on pages 119.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF LABOR:

#### Finding 09-3:

Unemployment Insurance, CFDA 17.225:  
ARRA – Unemployment Insurance, CFDA 17.225A:

*Grant Award Number:* Affects all awards included under CFDA 17.225A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement Addendum #1* states that Federal Additional Compensation (FAC) is payable to individuals who are otherwise entitled under State law to receive regular Unemployment Compensation for weeks of unemployment, or are eligible for other Federal or State unemployment benefit programs (except State additional compensation).

During our testing, we reviewed 40 FAC payments to ensure FAC benefits were only being paid to individuals who were entitled to regular weekly unemployment compensation or other Federal or State unemployment benefit programs. We noted that one individual was paid FAC benefits but did not receive any other unemployment compensation or benefits for the corresponding week.

FAC payments are driven by the weekly unemployment benefits paid to recipients. However, when a weekly unemployment benefit check was stale-dated, the calculated FAC payment was not reduced to recognize that the benefit was adjusted. When the unemployment benefit was re-issued, the FAC calculation included payment for both the original week and the adjustment week.

*Questioned Costs:* \$25.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* FAC was paid to an individual for nine weeks, however, the individual was only eligible to receive FAC for eight weeks. As a result, FAC payments were overstated.

*Cause:* Adequate controls were not in place to ensure that FAC payments were calculated correctly.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure FAC payments are calculated correctly.

*Management's Response:* See management's Interim Communication response on page 116. See update to management's response on pages 119.

JIM GIBBONS  
Governor



# DETR

Nevada Department of Employment,  
Training and Rehabilitation

LARRY J. MOSLEY  
Director

## OFFICE OF THE DIRECTOR

December 17, 2009

Mr. Debbie Clark, Audit Manager  
Kafoury Armstrong & Company  
6140 Plumas Street  
Reno, Nevada 89519

Dear Ms. Clark:

This letter is in response to the Unemployment Insurance (UI) "Interim" Audit revised findings presented to my staff earlier this month. Please note that the Department of Employment, Training and Rehabilitation is fully committed to ensuring compliance with applicable federal laws and regulations.

Please feel free to contact me at (775) 684-3911 or my deputy director, Cindy Jones at (775) 684-3909 if you need further assistance.

Sincerely,

A handwritten signature in black ink that reads "Larry J. Mosley".

Larry J. Mosley  
Director

Attachment

cc: Cindy A. Jones, Deputy Director / ESD Administrator  
Ardell Galbreth, Deputy Director  
Renee Olson, Chief Financial Officer  
Duane E. Anderson, Chief Auditor

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500 E. Third Street • Carson City, Nevada 89713 • (775) 684-3911 • Fax (775) 684-3908

[www.nvdetr.org](http://www.nvdetr.org)

State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Schedule of Early Communication of Significant Deficiencies and  
Material Weaknesses in Internal Control over Compliance  
For the Year Ended June 30, 2009

Interim Finding 09-01

Management's Response

The Division is aware that there have been isolated instances of failure of policy and procedure regarding identity cross matching. These isolated instances are based in part on relative inexperience of staff and in part upon timing differences.

To address the inexperience of staff, the Division has engaged in ongoing in-service training designed to insure that policy and procedure are followed each and every time. In the arena of Internet claims, the Division implemented a team to review these cases carefully, as the Division identified the Internet as a potential weakness.

The application of the existing cross match is reliant on a valid and complete file of records from the DMV to be uploaded monthly. The Division has identified isolated instances where this did not occur, primarily due to the timing of when the monthly updates are processed.

In the event the claimant submits documentation that does not clear the suspicion, the person is referred for an in-person identity verification using technology designed to detect fake identification documents. Nevada currently refers between 20-50 people in this manner weekly. If the person presents falsified documents or fails to appear for the review, no payment is made.

Nevada has applied for and been awarded supplemental budget money through the Department of Labor to implement the Social Security Cross Match, which will be used in conjunction with the Department of Motor Vehicle cross match to further upgrade Nevada's identification processes. The Division is in the process of developing requirements for the contractors needed to design and program this cross match.

Interim Finding 09-2

Management's Response

As recommended, the requirements of ARRA will be reviewed by DETR personnel. Controls will be implemented to properly identify ARRA expenditures, and a secondary review of ARRA reported amounts will be instituted.

Amended Single Audit Reporting Forms will be filed with the State Controller's Office for ARRA amounts not reported, or reported incorrectly, as identified by Kafoury & Armstrong auditors.

Interim Finding 09-3

Management's Response

The Division has implemented programming to identify and reconcile the weekly benefit payment history record to ensure that only one Federal Additional Compensation (FAC) payment of twenty-five dollars a week is generated for the week claimed. The continued refinement of the Division's programming has corrected the possibility that a FAC payment would be issued twice for the same week claimed, and any reoccurrences should be prevented in the future.

Federal Additional Compensation (FAC) overpayments must be offset only by future FAC payments, and not by any other type of payment such as Regular UI, State Extended Benefits, And Extended Unemployment Compensation (Tiers I, II, III). Therefore FAC overpayments must be disbursed and accounted for as a stand alone benefit, which requires the Benefit Payment Control unit to collect FAC overpayments in conjunction with (Regular UI, EUC, or SEB) , but account for them under separate ledger.

EMPLOYMENT SECURITY  
DIVISION

Office of the Administrator



JIM GIBBONS  
Governor

LARRY J. MOSLEY  
Director

CYNTHIA JONES  
Administrator

March 12, 2010

Richard C. Trigg, Regional Administrator  
U.S. Department of Labor  
Employment and Training Administration  
90 7<sup>th</sup> Street, Suite 17-300  
San Francisco, California 94103-1516

**RE: Response to 2009 Single Audit Issues /Concerns**

Dear Mr. Trigg:

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co. CPA's for Federal Programs administered by the Nevada Department of Employment, Training and Rehabilitation for the fiscal year ended June 30, 2009. The audit findings pertain to the Federal Grants /Programs as listed below:

Findings 09-1 thru 09-3 - Unemployment Insurance (UI)

- CFDA 17.225
- ARRA CFDA 17.225A

Finding 09-10 - Unemployment Insurance

- CFDA 17.225
- ARRA CFDA 17.225A

Findings 09-11 thru 09-15 -- Workforce Investment Act (WIA) Cluster

- WIA Adult Program, CFDA 17.258
- ARRA WIA Adult Program, CFDA 17.258A
- WIA Youth Activities, CFDA 17.259
- ARRA WIA Youth Activities, CFDA 17.259A
- WIA Dislocated Workers, CFDA 17.260
- ARRA WIA Dislocated Workers, CFDA 17.260A

Finding 09-20 -- Employment Services (ES) Cluster

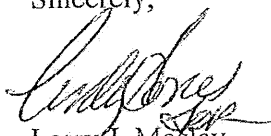
- ES/Wagner-Peyser Funded Activities, CFDA 17.207
- ARRA- ES/Wagner-Peyser Funded Activities, CFDA 17.207A
- Disabled Veteran's Outreach Program, CFDA 17.801
- Local Veterans Employment Representation Program, CFDA 17.804
- Incentive Grants -- WIA Section 503, CFDA 17.267

Richard C. Trigg, Regional Administrator  
U.S. Department of Labor/ETA  
March 12, 2010  
Page 2 of 2

Please note that the Department of Employment, Training and Rehabilitation remains fully committed to ensuring compliance with applicable federal laws and regulations.

Please feel free to contact me at (775) 684-3911 or my Deputy Director, Cindy Jones at (775) 684-3909 if you need further assistance.

Sincerely,



Larry J. Mosley  
Director

LJM:dea

cc: Cindy Jones, DETR Deputy Director/ESD Administrator  
Kelly Karch, Deputy Administrator, ESD/DETR  
Lynda Parven, Deputy Administrator, ESD/DETR  
Renee Olsen, Chief Financial Officer, DETR  
Duane E. Anderson, Chief Auditor, DETR  
Kafoury, Armstrong & Co, Single Auditors  
Shannon Ryan, Legislative Counsel Bureau, Audit Supervisor

Attachments

State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Responses to Single Audit Findings  
For the Year Ended June 30, 2009

Finding 09-1

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation adhere to the procedures in the Manual of Operations, and ensure that all resolutions of discrepancies resulting from the identity cross-match program are documented.

Management's Response - Update

See original response dated December 17, 2009

Finding 09-2

Recommendation

We recommend that controls be implemented to ensure that ARRA expenditures are properly identified for inclusion on the SEFA. Additionally, we recommend the requirements of ARRA be reviewed and a secondary review of reported amounts be implemented.

Management's Response - Update

Since the interim finding was issued, DETR Financial Management has submitted corrected State Fiscal Year (SFY) 09 Single Audit Reporting Forms (SARF) to the Controller's Office including all amounts required to be reported under the American Recovery and Reinvestment Act (ARRA). Supporting worksheets and reconciliations have been modified to identify and account for ARRA reportable amounts. A secondary review of reported amounts will be implemented prior to the next reporting cycle.

Finding 09-3

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure that FAC payments are calculated correctly.

Management's Response - Update

See original response dated December 17, 2009

Finding 09-10

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to review and monitor unemployment claim payments to ensure they are accurate and appropriate.

#### Management's Response

The \$264,111 reported in the finding, is not correct and does not apply to this specific problem of duplicate FAC payments via GUIDE, Nevada's Unemployment Insurance Benefit system. This amount represented total overpayments in the FAC Program as of June 30, 2009. In August 2009, DETR staff identified that duplicate Federal Additional Compensation (FAC) payments were made in GUIDE, the mainframe operating system, for 2,241 weekly claims, resulting in improper payments of \$56,025. Because the GUIDE system has limited capabilities, the continual addition of each new claim/payment type during this period of extended unemployment (over 9 payment types when GUIDE was designed to realistically handle only 2 to 3) continues to present to DETR management, a formidable programming environment with the introduction of each new claim type. However, even with all the complexities, the programming logic causing the duplicate FAC payments was corrected expediently on 8/26/09. The GUIDE System will no longer allow for more than one FAC payment per benefit week ending date (weekly claim). Since 08/26/09, DETR's Employment Security Division has not found any additional occurrences of duplicate FAC payments.

#### Finding 09-11

##### Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure timely filing of all reports.

#### Management's Response

DETR Financial Management has instituted the following to address federal reporting deadlines:

- Staff training and development,
- Automation of supporting internal reports to decrease manual processes and processing time,
- Management study and re-design of report compilation process, and
- Scheduled sessions to assess the progress of these initiatives.

#### Finding 09-12

##### Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure that all information required to be provided to subrecipients under the ARRA is communicated.

#### Management's Response

Please note that every attempt is made to properly communicate required information to subrecipients as illustrated by the statements below. Due to the longstanding relationship of the Department with the Local Workforce Investment Boards (LWIB), a portion of the communications that occurred, at times, may have been informal in nature, but the needed information was still passed on. Please note that for previous WIA formula and ARRA contracts, the Catalog of Federal Domestic Assistance (CFDA) number was not included in the contracts and never became an issue, primarily because both LWIBs have full access to the CFDA website.

Staff was unaware of the requirement to list this on the individual contract, however, WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, will be updated to ensure all new contracts include the CFDA number.

With respect to stimulus funds, ARRA-specific directives were developed separately from the WIA formula funds state compliance policies to ensure there was full understanding by LWIB staff of the different requirements of the Act. Eight Workforce Stimulus Directives (WSDs) were drafted and reviewed by LWIB staff prior to the directives being distributed to both LWIBs.

1. WSD-01 – Programmatic – Adults/Dislocated Worker (Revised 8/09)
2. WSD-02 – Programmatic – Year Round Youth (Revised 8/09)
3. WSD-03 – Summer Youth Employment Opportunities Only (Revised 8/09)
4. WSD-04 – Financial Requirements under ARRA-WIA (5/09) (Attachment A)
5. WSD-05 – Local Plan Modification (5/09)
6. WSD-06 – NJCOS Data Entry Requirements (6/09)
7. WSD-07 – Needs Related Payment – NJCOS Data Entries (6/09)
8. WSD-08 – Reporting Requirements for Section 1512 of ARRA (10/09)(Attachment B)

Workforce Stimulus Directive (WSD) – 04 dated May 13, 2009 (Attachment A), Section IX outlines the requirements to track and report ARRA funds separately from WIA formula funds for all three funding streams – Adult, Dislocated Worker and Youth. Quarterly Financial Status Reports prepared by the two LWIBs are separated out by individual contracts regardless of whether or not, they are formula, ARRA or Governor’s Reserve Funds (Attachment C).

In September 2009, the U.S. Department of Labor (DOL) issued additional guidance on the reporting requirements under Section 1512 of the Recovery Act. Attachments D & E are emails to both LWIBs and other ARRA grantees along with memos detailing the clarification on the requirements for reporting jobs created/jobs retained received from DOL. As a result, WSD-08 dated October 1, 2009, Reporting Requirements for Section 1512 of the ARRA 2009 for Jobs Created/Jobs Retained (Attachment B), was distributed to both LWIBs and other ARRA grantees.

#### Finding 09-13

##### Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure subrecipient awards contain all of the required information.

##### Management’s Response

As noted above in Finding 09-12, WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, will be updated to ensure all new contracts include the CFDA number.

#### Finding 09-14

##### Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to properly monitor subrecipients as required under the ARRA.

#### Management's Response

Please note that the Department followed the guidance issued by DOL as required as a condition of these grants.

WISS staff is assigned to provide all interested parties with guidance received related to their respective programs. In this instance, this notification was provided electronically and "Training and Employment Guidance Letter 29-08" dated June 10, 2009 was sent via email on June 15, 2009 (Attachment F). Subsequent to this guidance being issued, information was received from the Department of Labor (DOL) through a General Overview Forum 1 Q & A (Attachment G), clarifying that the sub-recipient (in the instance when the "prime recipient" is doing the required reporting) has to register for DUNS only. The prime recipient (State) has to register in both CCR and DUNS. The Southern Nevada Workforce Investment Board had already registered in CCR, and as a result of the additional guidance provided to both local boards, Nevadaworks did not register as it was no longer required (per DOL's guidance).

In addition, programmatic monitoring for ARRA is conducted in conjunction with WIA formula funding streams during an annual on-site review since program activities under ARRA are the same as the formula programs. On-site reviews were conducted statewide in August 2009 for the summer employment component. Staff has been reviewing the Nevada JobConnect Operating System for ARRA and WIA funded clients, which is conducted prior to on-site reviews. Any issues identified during the pre on-site reviews are communicated via email to the local boards as they arise.

Prior to implementing ARRA, the Audit Team (Team) of the Department of Employment, Training and Rehabilitation developed a fiscal readiness document for use by both local boards in preparation for implementing ARRA activities alongside the WIA formula programs. Proactive readiness reviews were also conducted at the service provider level. Technical assistance is on-going as needed in particular for the newer service providers

The Team has completed financial on-site reviews at the Southern Nevada Workforce Investment Board and a draft report is being finalized. Nevadaworks is currently being reviewed and a draft report is anticipated to be submitted by April 15.

#### Finding 09-15

##### Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure Federal award expenditures are completely and accurately reported on the SARFs and, ultimately, the SEFA.

#### Management's Response

DETR Financial Management has submitted a corrected SFY 09 SARF to the Controller's Office.

Finding 09-20

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls to ensure all Federal expenditures are included on the SEFA.

Management's Response

DETR Financial Management will institute a review process in conjunction with the Controller's Office to ensure all SARF's submitted are included on the Controller's SEFA.

STATE OF NEVADA  
 Department of Employment, Training and Rehabilitation  
 Employment Security Division/Workforce Investment Support Services

WORKFORCE STIMULUS DIRECTIVE (WSD)  
 FINANCIAL REQUIREMENTS UNDER ARRA –WIA. WSD -04

Training and Employment Guidance Letter - TEGL 14-08 dated March 18, 2009 relating to "The American Recovery and Reinvestment Act of 2009 (ARRA)" states.....

*.....These funds must be used to supplement annual [Workforce Investment Act] WIA /Wagner-Peyser appropriations and must only be used for activities that are in addition to those otherwise available in the local area (WIA sec. 195(2)). To that end, Recovery Act funding is to be spent concurrently with other WIA and Wagner-Peyser funding, and should not be used to replace state or local funding currently dedicated to workforce development and summer jobs. While the law requires states to track and spend Recovery Act funds separately from other WIA and Wagner-Peyser formula funds, ETA encourages states to strategically align all of their resources to meet both short- and long-term state and regional workforce development needs.*

*Pursuant to WIA regulations at 20 [Code of Federal Regulations] CFR 667.410, each state recipient and sub-recipient of Recovery Act funds must conduct regular oversight and monitoring of its WIA and Wagner-Peyser Employment Services activities and those of its sub-recipients and contractors in order to determine that expenditures have been made against the appropriate cost categories and within the cost limitations.*

*Oversight and monitoring should determine whether or not there is compliance with programmatic, accountability, and transparency provisions of the Recovery Act and this TEGL, as well as the regular provisions of WIA and the Wagner-Peyser Act, as amended by WIA, and their regulations and other applicable laws and regulations.*

In keeping with the objectives under ARRA, below appended are some basic financial directives to the grant recipients. Please note that these directives are not all-inclusive but are provided with the intent of creating awareness on the additional requirements under ARRA-WIA. It is the responsibility of the LWIB's to provide routine technical assistance, monitoring and oversight for its grants and that of its sub-recipients, to ensure all federal and State requirements are being met.

**I. Cost Principles, Allowable Costs and Financial Management Systems:**

All grant funding recipients must adhere to Cost Principles for Federal Programs in accordance with the applicable OMB Circular. Accurate, complete, and timely financial information must be provided in accordance with the Federal fiscal reporting requirements. The Local Workforce Investment Board's (LWIB's) and their service providers /contractors are required to account for, track, monitor and report on ARRA grants and expenses separately from regular formula grants and expenses.

All federal grants, cooperative agreements, cost reimbursement awards/contracts (ie, grants, sub grants, subcontracts, etc) are subject to Federal cost principles applicable to the type of organization involved (i.e., non-profit, for-profit, governmental, etc). These cost principles are defined in various Office of Management and Budget (OMB) Circulars and Federal Regulations as follows:

- OMB Circular A-21 – Cost Principles for Educational Institutions,
- OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments, and
- OMB Circular A-122 – Cost Principles for Non-Profit Organizations, and
- Code of Federal Regulations (CFR), Title 48, Parts 6, 15, 30 & 31 (applicable to commercial type entities).

## **II. Cost Allocation Plans:**

Recipients of Stimulus (ARRA) and Regular Formula funds are required to prepare/revise their Cost Allocation Plans (CAP). The CAP identifies all allowable direct and indirect costs to be shared, and establishes the allocation method used for distributing the costs. The CAP must conform to WIA /ARRA regulations, applicable OMB Circulars, federal regulations and State Policies.

Additionally, the CAP identifies allowable indirect and direct costs and is used to accumulate and distribute the expenditures identified. The Cost Allocation should show a separate allocation of expenses relating to ARRA and regular formula funding activities based on an equitable distribution basis. The Cost allocation should result in an equitable distribution of costs for the various Programs/Funding sources used by the grant recipient, including all federal and non-federal sources.

## **III. Life of the Funds:**

LWIB's and service providers will have until the end of PY 2010 (June 30, 2011) to obligate *and expend* the ARRA funds. Contract closeout requirements apply to both ARRA and formula funds as outlined in WIA SCP 3.5 – Contract Closeout. Funds must be fully liquidated within sixty (60) days after the end of the contract.

## **IV. Out-of-School Youth Expenditure Rate:**

At a minimum, 30 percent of both youth formula and ARRA funds expended in the local area must be used to provide activities for out-of-school youth (WIA Section 129 ©(4)(A), §664.310 and WIA SCP 3.6 – Cost Limitations).

**V. Inter-title Transfer between Adult and Dislocated Worker Programs (ARRA only):**

Although Nevada has a waiver to transfer 100% of regular formula funds between the Adult and Dislocated Worker programs, ARRA funds are specifically limited to a 30 % transfer per TEGE 14-08, Change 1, dated April 15, 2009.

**VI. A-133 Single Audit:**

New service providers receiving either formula and/or ARRA funds must be made aware of the single audit requirement as implemented in Office of Management and Budget (OMB) Circular A-133 for entities expending \$500,000 or more in federal funds in a program year. It is important to note that this \$500,000 threshold applies to all federal funding (i.e., other federal programs) and not just ARRA funding received by the entity. Budgets may need to be adjusted to capture the expense of the required audit.

Additional fiscal monitoring efforts (beyond that done by the Single Audit, if applicable) will also occur at the Local Board and Service Provider levels. These reviews will be performed by LWIB staff and/or State/Federal monitoring /audit staff on an ongoing basis.

**VII. Procurement:**

New service providers receiving either Formula and/or ARRA funds must be provided guidance on the methods of procurement for goods and services as required by 29 CFR 97.36 (state and local governmental grantees) or 29 CFR 95.40-48 (non-governmental grantees) or 48 CFR, Part 6 (for-profit /commercial entities). The regulations require that procurement be conducted in a manner designed to provide full and open competition. Refer to WIA SCP Section 3.9 for additional information.

**VIII. Record Retention (29 CFR §37.37, §95.53, §97.42, Nevada Revised Statute 239.080, Nevada Administrative Code 239.155, 239.710 to 239.720 and WIA SCP 5.4 Record Requirements:**

LWIB's must ensure all sub-recipients are aware of record retention requirements and must ensure compliance through oversight and monitoring. In the event a contract is terminated with a sub-recipient, the LWIB shall be responsible for the maintenance and retention of the sub-recipient records.

**IX. Financial Reporting Requirements:**

Financial reports for ARRA funds will be submitted in accordance with current Federal and State reporting requirement for regular WIA formula funds. ARRA funds will be tracked and reported separately from WIA formula funds for all three funding streams – Adult, Dislocated Worker and Youth.

A critical element necessary for adhering to federal cost principles is having an adequate “financial management system” which accounts for and reports on the required informational data elements (both programmatic and fiscal). The financial management systems must permit the preparation of the “required” reports and permit the tracing of funds to levels sufficient to show that such funds were not used for purposes other than for the specific Federal Programs, Grants, etc.

**X. Available Resources:**

WIA State Compliance Policies – Visit [www.nvdetr.org](http://www.nvdetr.org) - Click on Workforce Investment on Quick Links Sections 3.1 – 3.13 and Sections 5.1 – 5.7

Office of Management and Budget (OMB) Circulars -<http://whitehouse.gov/omb/circulars>

One-Stop Comprehensive Financial Management Technical Assistance Guide  
[http://www.doleta.gov/sga/pdf/FinalTAG\\_August\\_02.pdf](http://www.doleta.gov/sga/pdf/FinalTAG_August_02.pdf)

U.S. Department of Labor Home Page -- <http://www.doleta.gov>

Training and Employment Guidance Letters - [Http://wdr.doleta.gov/directives](http://wdr.doleta.gov/directives)

State of Nevada  
 Department of Employment, Training and Rehabilitation  
 Employment Security Division/Workforce Investment Support Services

**WORKFORCE STIMULUS DIRECTIVE (WSD)  
 REPORTING REQUIREMENTS FOR SECTION 1512 OF ARRA – WSD -08**

**I. Introduction:**

Section 1512 of the American Recovery and Reinvestment Act of 2009 (Recovery Act) requires recipients and sub recipients to report on the use of Recovery Act funding, and provide detailed information, such as: total amount of funds received; the amount spent on projects and activities; a list of those projects and activities funded, including name, description, completion status and details on sub-awards and other payments.

Section 1512 recipient reports are an Office of Management and Budget (OMB) requirement and must be submitted separately from the ETA 9130 financial reports. In addition to reports submitted to [federalreporting.gov](http://federalreporting.gov), the reports will be posted on [www.recovery.gov](http://www.recovery.gov) to maximize transparency and the public's access to information about Recovery Act funded activities and projects.

**II. Definitions:**

**Prime Recipient:** are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans or cooperative agreements directly from the Federal government. Payments made by prime recipients of Federal award dollars can be classified into two categories – (i) payments to sub-recipients and (ii) payments to vendors. The prime recipient is responsible for reporting data on payments made to both sub-recipients and vendors.

**Sub-Recipient:** is a non-Federal entity that expends Federal awards received from another entity to carry out a Federal program but does not include an individual who is a beneficiary of the program.

Specifically, sub-recipients are non-Federal entities that are awarded Recovery funding through a legal instrument from the prime recipient to support the performance of any portion of the substantive project or program for which the prime recipient received the Recovery funding. Additionally the terms and conditions of the Federal award are carried forward to the sub-recipient.

**Vendor:** is defined as a dealer, distributor, merchant or other seller providing goods or services that are required for the conduct of a Federal program. Prime recipients or sub-recipients may purchase goods or services needed to carry out the project or program from vendors. Vendors are not awarded funds by the same means as sub-recipients and are not subject to the terms and conditions of the Federal financial assistance award.

A vendor:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;

3. Operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program.

**III. Required Sub Recipient Data Elements:**

- (A) Sub-award Number: Contract Number.
- (B) Sub recipient Legal Name
- (C) Sub recipient's legal DBA, if applicable
- (D) Sub-recipient's address
- (E) Sub recipient Congressional District
- (F) Sub recipient Type (Type of business) – this element is populated from CCR.
- (G) Sub-Awardees – the following information must be reported on each contracted service provider:
  1. Amount of sub-award contract
  2. Total sub-award funds disbursed as of the reporting period end date
  3. Sub-award date – date contract fully executed
  4. Sub-awardee's street address, zip code+ 4, City and Congressional District.
- (H) Sub-recipient highly compensated names – names and total compensation of each of the five most highly compensated officers/staff of the sub-recipient for the calendar year in which the award was made if:
  1. If the sub-recipient received 80 percent or more of its annual gross revenues from Federal contracts, grants during the preceding fiscal year, and
  2. \$25,000,000 or more in annual gross revenues from Federal contract, grants and the public does not have access to information about the compensation of the senior executives through periodic reports filed under section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S. 78m(a), 78o(d) or section 6104 of the Internal Revenue Code of 1986.
- (I) The following is required for all sub-recipient vendors:
  1. Award number or other identifying number assigned by the sub-recipient
  2. Vendor DUNS number if available. If not available, the vendor's name and headquarters' zip-code +4.
  3. A brief description of the product and/or service provided by the vendor.
  4. The amount of the invoice paid to a vendor using Recovery Act funds.

**IV. Report Due Dates: Reports are due to Department of Labor on or before the 10<sup>th</sup> day after the end of each quarter, therefore reports to DETR/Financial Management will be due five days after the end of each quarter:**

1. October 5, 2009
2. January 5, 2010
3. April 5, 2010
4. July 5, 2010
5. October 5, 2010
6. January 5, 2011
7. April 5, 2011
8. July 5, 2011

- V. **Report Format:** The following report documents should be used when reporting the data elements contained in this directive and jobs created and jobs retained. Additional lines may be added as needed for data elements, which have more than one, e.g., sub-awards or vendors.

Reports should be emailed to Valorie Hopkins, [vjh@nydetr.org](mailto:vjh@nydetr.org) and Connie Williams, [c-williams@nydetr.org](mailto:c-williams@nydetr.org) on or before the dates listed in Section III above.

(Name of Local Workforce Investment Board)  
 Section 1512 Reporting Requirements  
 Quarter Ending: \_\_\_\_\_

Adult: \_\_\_\_\_

Dislocated Worker: \_\_\_\_\_

Youth: \_\_\_\_\_

Sub-Recipient Data Elements	Responses
Sub-award Number: Contract Number.	
Sub recipient Legal Name or Legal DBA	
Sub recipient's address	
Sub recipient Congressional District	
Sub recipient Type (Type of business) -- this element is populated from CCR.	
Sub-Awardees – the following information must be reported on each contracted service provider: 1. Amount of sub-award contract 2. Total sub-award funds disbursed as of the reporting period end date 3. Sub-award date -- date contract fully executed 4. Sub-awardee's street address, zip code+ 4, City and Congressional District.	
Sub-recipient highly compensated names – names and total compensation of each of the five most highly compensated officer(s) and staff of the sub-recipient for the calendar year in which the award was made if:  1. If the sub-recipient received 80 percent or more of its annual gross revenues from Federal contracts, grants during the preceding fiscal year, and 2. \$25,000,000 or more in annual gross revenues from Federal contract, grants and the public does not have access to information about the compensation of the senior executives through periodic reports filed under section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S. 78m(a), 78o(d) or section 6104 of the Internal Revenue Code of 1986.	
The following is required for all sub-recipient vendors:  1. Award number or other identifying number assigned by the sub-recipient 2. Vendor DUNS number if available. If not available, the vendor's name and headquarters' zip-code +4. 3. A brief description of the product and/or service provided by the vendor. 4. The amount of the invoice paid to a vendor using Recovery Act funds.	

American Recovery and Reinvestment Act  
Jobs Created and Jobs Retained  
Section 1512 Reporting Requirements  
Quarter Ending: \_\_\_\_\_

LWIB/Service Provider: \_\_\_\_\_

**Jobs Created:** Jobs or positions created means those new positions created and filled, or previously existing unfilled positions that are filled as a result of ARRA funds.

How many jobs were created as a result of receiving ARRA funds?

Full time: \_\_\_\_\_ Part Time: \_\_\_\_\_

If part time how many hrs per employee: \_\_\_\_\_

Please provide a brief description of the types of jobs created: \_\_\_\_\_  
\_\_\_\_\_

Note: supporting documentation is required for both jobs created. For example, a personnel action form, employee contract, a job offer letter, payroll records, etc.

**Jobs Retained:** Jobs or positions retained means those previously existing filled positions that are retained as a result of ARRA funding.

How many jobs were retained as a result of receiving ARRA funds?

Full time: \_\_\_\_\_ Part Time: \_\_\_\_\_

If part time how many hrs per employee: \_\_\_\_\_

Please provide a brief description of the types of jobs retained: \_\_\_\_\_  
\_\_\_\_\_

Note: supporting documentation is required for jobs retained. For example, a memo from the executive officer or human resources director stating that the following jobs were retained as a result of ARRA funding.

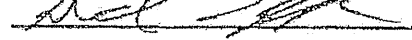
The signature below indicates that the above information and attached supporting documentation is accurate to the best of he/she's knowledge.

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Date Prepared

Southern Nevada Workforce Investment Board  
 Financial Quarterly Report PY08 ARRA Funds  
 Quarter Ending: December 31, 2009

	Sub Account: ARRA Adult	Sub Account: ARRA Youth	Sub Account: ARRA DW
	<u>Total</u>	<u>Total</u>	<u>Total</u>
<b>10. Transactions</b>			
<b>Federal Cash:</b>			
a. Cash Receipts	1,096,441.07	3,284,962.58	1,306,931.76
b. Cash Disbursements	1,076,211.56	3,264,733.07	1,286,702.25
c. Cash on Hand (line e minus b)	20,229.51	20,229.51	20,229.51
<b>Federal Expenditures and Unobligated Balance:</b>			
d. Total Federal funds authorized	2,042,855.00	4,517,790.00	8,251,361.00
e. Federal share of expenditures	1,096,441.07	3,284,962.58	1,306,931.76
f. Total administrative expenditures	84,193.14	172,363.30	83,407.55
g. Federal share of unliquidated obligations	-	-	-
h. Total Federal obligations (sum of lines e and g)	1,096,441.07	3,284,962.58	1,306,931.76
i. Unobligated balance of Federal funds (line d minus h)	946,414.93	1,232,827.42	6,944,429.24
<b>Recipient's share:</b>			
j. Total recipient share required	-	-	-
k. Recipient share of expenditures	-	-	-
l. Recipient share of unliquidated obligations	-	-	-
m. Total recipient obligations (sum of lines k and l)	-	-	-
n. Remaining recipient share to be provided (line j minus m)	-	-	-
<b>Program Income:</b>			
o. Total Federal program income earned	-	-	-
p. Program income expended in accordance with addition method	-	-	-
q. Unexpended program income (line o minus p)	-	-	-
<b>11. Additional Expenditure Data Required</b>			
a. Other Federal funds expended	-	-	-
b. Real property proceeds	-	-	-
c. Recaptured Funds Expended (Statewide A, Y & DW)	-	-	-
d. Expenditure of Adult Funds transferred to DW Program	-	-	-
e. Expenditure of DW funds transferred to Adult Program	-	-	-
f. Out of School Youth Expenditures	-	75,983.50	-
g. In-School Youth Expenditures	-	2,032,000.00	-
h. Summer employment opportunities expenditures	-	2,255,000.00	-
<b>Outlays for Allowable Program Activities - (Stand-In Costs)</b>			
Outlays for Allowable Program Activities			

Prepared By:   
 Approved by: \_\_\_\_\_

Date: 2/17/10  
 Date: \_\_\_\_\_

Southern Nevada Workforce Investment Board  
 Financial Quarterly Report PY08 ARRA Governor's Reserve Youth Funds  
 Quarter Ending: December 31, 2009

	Sub Account ARRA Gov Reserve Youth	
	Local Youth	
	Total	
<b>10. Transactions</b>		
<b>Federal Cash:</b>		
a. Cash Receipts		1,152,392.00
b. Cash Disbursements		1,152,392.00
c. Cash on Hand (line a minus b)		-
<b>Federal Expenditure and Unobligated Balance:</b>		
d. Total Federal funds authorized		1,420,568.00
e. Federal share of expenditures		1,152,392.00
f. Total administrative expenditures		-
g. Federal share of unliquidated obligations		-
h. Total Federal obligations (sum of lines e and g)		1,152,392.00
i. Unobligated balance of Federal funds (line d minus h)		268,176.00
<b>Recipient's share:</b>		
j. Total recipient share required		-
k. Recipient share of expenditures		-
l. Recipient share of unliquidated obligations		-
m. Total recipient obligations (sum of lines k and l)		-
n. Remaining recipient share to be provided (line j minus m)		-
<b>Program Income:</b>		
o. Total Federal program income earned		-
p. Program income expended in accordance with addition method.		-
q. Unexpended program income (line o minus p)		-
<b>11. Additional Expenditure Data Required</b>		
a. Other Federal funds expended		-
b. Real property proceeds		-
c. Recaptured Funds Expended (Statewide A, Y & DW)		-
c. Expenditure of DW funds transferred to Adult Program		-
c. Out-of-School Youth Expenditures		84,822.00
d. In-School Youth Expenditures		1,087,570.00
e. Summer employment opportunities expenditures		1,152,392.00
<b>Outlays for Allowable Program Activities - (Stand-In Costs)</b>		
Outlays for Allowable Program Activities		

Prepared By:   
 Approved by: \_\_\_\_\_

Date: 2/17/10  
 Date: \_\_\_\_\_

Nevadaworks  
 Financial Quarterly Report PY 08 ARRA  
 Quarter Ending: December 31, 2009

	Sub Account:		Sub Account:		Sub Account:	
	PY08-ARRA-01 Local Adult		PY08-YARRA-01 Local Youth		PY08-DWARRA-01 Local DW	
	Total	Total	Total	Total	Total	Total
10. Transactions						
Federal Cash:						
a. Cash Receipts	281,485.74	1,816,891.00	377,856.31	377,856.31		
b. Cash Disbursements	289,599.24	1,865,409.86	927,469.02	927,469.02		
c. Cash on Hand (line a minus b)	1,886.47	50,481.04	50,387.30	50,387.30		
Federal Expenditures and Unobligated Balance:						
d. Total Federal funds authorized	849,497.00	1,916,891.00	891,315.00	891,315.00		
e. Federal share of expenditures	374,953.94	1,916,891.00	523,481.23	523,481.23		
f. Total administrative expenditures	22,955.39	91,366.12	46,550.85	46,550.85		
g. Federal share of unliquidated obligations	88,072.24	1,916,891.00	370,044.08	370,044.08		
h. Total Federal obligations (sum of lines e and g)	467,056.20	1,916,891.00	370,044.08	370,044.08		
i. Unobligated balance of Federal funds (line d minus h)	373,440.72		3,543,558.02	3,543,558.02		
Recipient's share:						
j. Total recipient share required	0	0	0	0		
k. Recipient share of expenditures (Stand in Expenditures)	0	78,377	12,326	12,326		
l. Recipient share of unliquidated obligations	0	0	0	0		
m. Total recipient obligations (sum of lines k and l)	0	0	0	0		
n. Remaining recipient share to be provided (line j minus m)	0	0	0	0		
Program Income:						
o. Total Federal program income earned	0	0	0	0		
p. Program income expended in accordance with section method.	0	0	0	0		
q. Unexpended program income (line o minus p)	0	0	0	0		
11. Additional Expenditure Data Required						
a. Other Federal funds expended	0	0	0	0		
b. Real property proceeds	0	0	0	0		
c. Recaptured Funds Expended (Statewide A, Y & DW)	0	0	0	0		
d. Recaptured Funds Expended (Statewide A, Y & DW)	0	0	0	0		
e. Expenditure of DW funds transferred to Adult Program	1,055,675					

Prepared By: *Suzanne Wickes*  
 Approved by: *Suzanne Wickes*

Date: 1/29/10  
 Date: 1/29/10

**Connie Williams**

---

**From:** Connie Williams  
**Sent:** Thursday, October 29, 2009 9:21 AM  
**To:** Mike Willden; Diane Comeaux  
**Cc:** Shawna DeRousse; Fernando Serrano; Larry Mosley; Ardell Galbreth; Cynthia Jones; Lynda Parven; Renee Olson; Marty Ramirez; Valorie Hopkins  
**Subject:** FW: Attached Image[1]  
**Attachments:** 1613\_0001.pdf

Good morning,

Please see the attached request and share with appropriate staff who can provide the requested information on or before close of business Friday, November 20, 2009. Should there be any questions on the attached information please do not hesitate to contact Val Hopkins, [vjhopkimns@nvdetr.org](mailto:vjhopkimns@nvdetr.org), (775) 684-0304 or myself at [c-williams@nvdetr.org](mailto:c-williams@nvdetr.org), (775) 684-0315. Thank you.

Connie Williams  
DETR/ESD/Workforce Investment Support Services

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**From:** WISS COPIER@nvdetr.org [mailto:WISS COPIER@nvdetr.org]  
**Sent:** Thursday, October 29, 2009 6:16 AM  
**To:** Connie Williams  
**Subject:** Attached Image[1]

Tracking:

EMPLOYMENT SECURITY  
DIVISION

Workforce Investment  
Support Services



JIM GIBBONS  
Governor


LARRY J. MOSLEY  
Director

CYNTHIA JONES  
Division Administrator

October 29, 2009

MEMORANDUM

To: Mike Willden, Director, DHHS  
Shawna DeRousse, ASO III DHHS  
Diane Comeauxm, Director, DHHS/DCFS  
Fernando Serrano, Deputy Administrator, DHHS/DCFS

From: Valorie Hopkins, Chief, Workforce Investment Support Services 

Re: Reporting Requirements under Section 1512 of the ARRA of 2009 for Jobs  
Created/Jobs Retained

As outlined in Training and Guidance Letter No. 1-09 dated August 14, 2009, ETA Recovery Act prime recipient (DETR) must provide an estimate of jobs created or retained on projects or activities funded by Recovery Act funds. Recipients must collect specific data from sub-recipients and vendors in order to generate the most comprehensive and complete job impact data available for reporting purposes.

To ensure compliance with this requirement, local workforce investment boards and other grantees must provide supporting documentation for jobs created, including summer youth participants or retained. Examples of acceptable supporting documentation are:

- Personnel action form
- Employee contract
- Payroll records
- Attendance records for summer youth participants
- For jobs retained a memo from an executive officer or human resource director stating that the job(s) were retained as a result of ARRA funding.

Please provide the supporting documentation on or before November 20, 2009. Thank you in advance for your cooperation.

cc: Larry J. Mosley, Director, DETR  
Ardell Galbreth, Deputy Director, DETR  
Cindy Jones, Deputy Director, DETR/Administrator, DETR/ESD  
Lynda Parven, Deputy Administrator, DETR/ESD  
Renee Olson, Chief Financial Officer, DETR  
Marty Ramirez, Accountability Officer, DETR  
Connie Williams, ESD Program Specialist, DETR/ESD/WISS

**Connie Williams**

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**From:** Valorie Hopkins [vjhopkins@nvdetr.org]  
**Sent:** Wednesday, October 28, 2009 1:07 PM  
**To:** tcf@nevadaworks.com; JOHN BALL  
**Cc:** Ardell Galbreth; Connie Williams; Cynthia Jones; Lynda Parven; Larry Mosley; Marty Ramirez; Renee Olson  
**Subject:** REPORTING REQUIREMENTS - 1512  
**Attachments:** 1612\_0001.pdf  
**Importance:** High

**\*\* High Priority \*\***

Good afternoon Gentlemen:

Please see attached request and share with appropriate staff who can provide the requested information on or before close of business Friday November 20th. Should there be any questions on the attached information please do not hesitate to contact Connie Williams, [c-williams@nvdetr.org](mailto:c-williams@nvdetr.org) (775) 684-0315 or myself, [vjhopkins@nvdetr.org](mailto:vjhopkins@nvdetr.org), (775) 684-0304. Thank you.

Valorie Hopkins, Chief  
DETR/ESD/Workforce Investment Support Services 500 E. Third Street Carson City Nevada 89713  
(775) 684-0304

EMPLOYMENT SECURITY  
DIVISION

Workforce Investment  
Support Services




JIM GIBBONS  
Governor  
LARRY J. MOSLEY  
Director  
CYNTHIA JONES  
Division Administrator

October 28, 2009

MEMORANDUM

TO: Tom Fitzgerald, CEO, Nevadaworks  
John Ball, Executive Director, Southern Nevada Workforce Board

FROM:  Valorie Hopkins, Chief, Workforce Investment Support Services

Re: Reporting Requirements under Section 1512 of the ARRA of 2009 for  
Jobs Created/Jobs Retained

As outlined in Training and Guidance Letter No. 1-09 dated August 14, 2009, ETA Recovery Act prime Recipient (DETR) must provide an estimate of jobs created or retained on projects or activities funded by Recovery Act funds. Recipients must collect specific data from sub-recipients and vendors in order to generate the most comprehensive and complete job impact data available for reporting purposes.

To ensure compliance with this requirement, local workforce investment boards and other grantees must provide supporting documentation for jobs created, including summer youth participants or retained. Examples of acceptable supporting documentation are:

- Personnel action form
- Employee contract
- Payroll records
- Attendance records for summer youth participants
- For jobs retained a memo from an executive officer or human resource director stating that the job(s) were retained as a result of ARRA funding.

Please provide the supporting documentation on or before November 20, 2009. Thank you in advance for your cooperation.

cc: Larry J. Mosley, Director, DETR  
Ardell Galbreth, Deputy Director, DETR  
Cindy Jones, Administrator, DETR/ESD, Deputy Director, DETR  
Lynda Parven, Deputy Administrator, DETR/ESD  
Renee Olson, Chief Financial Officer, DETR  
Marty Ramirez, Accountability Officer  
Connie Williams, ESD Program Specialist, DETR/ESD/WISS

Audrey Harris

From: Harris, Audrey [ABHARRIS@nvdetr.org]  
Sent: Monday, June 15, 2009 8:37 AM  
To: dcollins@snwib.org; J-CAMPOS@LVDETRDOM.LVDETRPO; kellyhenwood@gmail.com; hdesart@snwib.org; Box, Shirley; twalkins@snwib.org; McDowell, Earl; jball@snwib.org; rboulware@snwib.org; Carmona, Odalys; Etter, Susanne; bwicks@nevadaworks.com; djefferson@snwib.org; jthurman@nevadaworks.com; Taylor, Barbara; Nicks, Theresa; Hilke, Ron; Millenberger, Vivian; Brown, Roy; Canfield, Shannan; Wright, Pat; Williams, Connie; Urbano, Barbara; Parven, Lynda; Olson, Renee; Nash, Tami; Mosley, Larry; Morigeau, Kim; McDonald, Jered; Jones, Cynthia; Hopkins, Valorie; Harris, Audrey; Golden, Joyce; Giurlani, Susie; Galbreth, Ardell; Karch, Kelly; Fletcher, Ron; Anderson, William; Brooks, Lynn; tcf@nevadaworks.com  
Subject: TEGL 29-08  
Attachments: TEGL29-08.pdf

Please find attached Training and Employment Guidance Letter 29-08 for your convenience. If the attached document is not displaying or printing properly you can access this TEGL directly from the Internet at ( <http://wdr.doleta.gov/directives/attach/TEGL/TEGL29-08.pdf>) This TEGL is four pages including one attachment.

TEGL 29-08: Dun & Bradstreet (D&B) Data Universal Numbering System (DUNS) Number/Central Contractor Registration (CCR) Mandatory Requirement for Federal Grant Sub-recipients under the American Recovery and Reinvestment Act of 2009

Issue Date: June 10, 2009

Purpose: To inform the workforce system of the mandatory requirement for sub-recipients, i.e., any first-tier subcontract or sub-award funded in whole or in part under the American Recovery and Reinvestment Act of 2009 (Recovery Act), to obtain a DUNS number [www.dnb.com](http://www.dnb.com) Any such sub-recipient must also establish and maintain active and current profiles in the CCR at [www.ccr.gov](http://www.ccr.gov) .

Action Requested: There are two new requirements for entities that anticipate being a subrecipient of Recovery Act funds for Federal grants, cooperative agreements, or loans: 1) obtaining a DUNS number, and 2) registering with the CCR.

Audrey Harris, Program Specialist II  
Workforce Investment Support Services  
Department of Employment, Training and Rehabilitation 775.684.0320

## General Overview

### Forum 1 Q & A

1. Infrastructure in the guidance is not well defined. Can you clarify the definition of infrastructure for us? Does it include work on public buildings, state houses, town halls, DOT sheds, toll booths, etc?

My answer to this question, first of all looking at the Law in 1512, the infrastructure investments made by state and local governments, there's a separate data requirement, where if you do have an infrastructure investment, you do have to provide a total cost and rationale for the funding of the infrastructure investment, the name of the person to contact in the agency if there are concerns with the infrastructure investment itself. To the extent the guidance does not currently answer your question in terms of where you have a project that is infrastructure or not that is something, the way to approach that, is that we don't have a one size fits all definition that gives you that litmus test. For example, your question on whether toll booths or traffic lights are infrastructure. What you need to do in that situation is where ever you receive the funds from, whatever relevant agency, in this case it seems like it's the Dept of Transportation. Then the answer here is to go to your contact point at the Dept of Transportation, the granting agency in this case, and to provide them the specifics of the situation and they can let you know whether this reporting is infrastructure and its primary trigger. (Not sure exactly what was said here.)

2. If they are in a state agency, how do they know if the state wants them to enter ARRA data?

As I was reading the question I realized I might have left off an important part of the presentation table in the discussion points. One of the questions that has come up is this. When a state as a prime recipient or a prime recipient in general is reporting, does that reporting have to emanate from one source within the prime recipient? Let's just use the state as an example in this case. And the answer to that question is no. The state can decentralize reporting at the prime recipient level by having multiple organizations and point of contacts within a state report. So for example, this state wants to establish reporters in both the states' Dept of Transportation, the State Dept of Education, the State Dept of Health, the state does have the authority and flexibility to establish multiple reporters within the state. But this question raises a good point. And it is how do I know if my state wants me to enter data or not? And this is where the state or the prime recipient has a very important responsibility. It runs parallel to the responsibility we talked about earlier with the subrecipient. Just as the state has the responsibility to make sure that the subs know when they've been delegated, who they are and that they have the responsibility to register, so to must the state make sure that the

people within the state who are required to report know who they are so they can register into the system. So if John Smith in the State Dept of Transportation and James Smith in the State Dept of Education are both expected to report information under the Recovery Act the state must have a coordinating office in place to make sure that John Smith and James Smith know that they are responsible for reporting and need to be told they are responsible for registering in the system. Also, it becomes critically important to the state, for the prime recipient to set up a control framework around making sure that double counting doesn't occur. Because if John Smith enters the data on an award and then closes it out in the system and James Smith goes in later and enters information on the same award, there's a risk of double counting occurring. So the state needs to communicate with the people at the state level that they are expected to report so they know to register, they know what awards they are responsible for putting in. There really should be a consolidated roster, I believe, that the state maintains of both subrecipients and state level reporters with clear lines of responsibility for whose reporting what.

3. Workforce Development Board has multiple locations of area of performance for every worker. Is it the expectation to capture every place a worker is located?

Another good question. This really goes to how you are collecting information. I don't necessarily, in reading the question, I don't necessarily want to give anyone the impression that the location of the worker is as important in terms of understanding the job impact generally. But as funds are flowing into local environments the important process here is to ask the right questions to the right recipients to know what the job impact has. But you don't have to go down to levels beyond, you don't have to go down to the very final level. Going back to the example of the bus company, it's the state's responsibility to ask the bus company; because you signed a contract for 200 new clean fuel buses, how many extra people did you hire? There's not a requirement to go and ask the bus company, then go to the suppliers of the materials and ask, because we are now ordering more supplies from you, how many jobs did you require? So it's a degree. The cutoff here is not, does not go to suppliers, then does not branch out that deeply into the environment. The prime recipient basically has to ask the subrecipient or the vendor that it's directly dealing with to let them know how many jobs were created by the transfer of funds to those entities.

4. It sounds like all subrecipients must register in the CCR even though the prime recipient will be doing all the reporting. Is that correct?

The subrecipients have to register for DUNS only. The prime recipient has to register in CCR and DUNS.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF TRANSPORTATION:

#### Finding 09-4:

##### Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205:

ARRA -- Highway Planning and Construction, CFDA 20.205A:

Recreational Trails Program, CFDA 20.219:

Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Affects grant awards included under CFDA 20.205A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in the *OMB Circular A-133 Compliance Supplement Addendum #1*, certain special provisions apply to all programs with expenditures of ARRA awards, including the provision to provide separate identification of ARRA expenditures on the Schedule of Expenditures of Federal Awards (SEFA). The separate identification shall be accomplished by identifying expenditures for Federal awards made under ARRA using the prefix "ARRA-".

During our review of the State's draft SEFA for the year ended June 30, 2009, provided by the State in October 2009, we noted that although the total expenditures reported for CFDA 20.205 appeared to be complete, the amount related to expenditures reimbursed with ARRA funds was not separately identified.

*Questioned Costs:* None.

*Context:* The condition above appears to be a systemic problem.

*Effect:* ARRA funds were not separately identified on the SEFA.

*Cause:* Although the State has a procedure in place for Department personnel to communicate ARRA expenditure information to the preparer of the SEFA, those procedures were not adhered to at the Department of Transportation and the error was not identified by the preparer of the SEFA.

*Recommendation:* We recommend that procedures be adhered to in order to ensure that ARRA expenditures are properly identified for inclusion on the SEFA. Additionally, we recommend the requirements of ARRA be reviewed and a secondary review of reported amounts be implemented.

*Management's Response:* See management's Interim Communication response and update to management's response on pages 149 through 150.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF TRANSPORTATION:**

Finding 09-5:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205:

ARRA – Highway Planning and Construction, CFDA 20.205A:

Recreational Trails Program, CFDA 20.219:

Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.205 (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards for communication of required information, and noted that the awards did not include the CFDA title and number.

*Questioned Costs:* None.

*Context:* The condition above appears to be a systemic problem.

*Effect:* Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

*Cause:* The Nevada Department of Transportation does not have adequate procedures in place to ensure subrecipient awards contain all of the required information.

*Recommendation:* We recommend the Nevada Department of Transportation implement procedures to ensure subrecipient awards contain all of the required information.

*Management's Response:* See management's Interim Communication response and update to management's response on page 150.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF TRANSPORTATION:

Finding 09-6:

Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205:  
ARRA – Highway Planning Construction, CFDA 20.205:  
Recreational Trails Program, CFDA 20.219:  
Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.205 (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in the *OMB A-133 Compliance Supplement*, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with program requirements. Specifically, the requirement for activities allowed or unallowed and allowable costs/cost principles is for the entity to provide reasonable assurance that Federal awards are expended only for allowable activities and that the cost of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. One way of ensuring this is by having a person knowledgeable about the award approve the costs prior to payment.

As part of our testing of internal controls over allowable costs/cost principles, we tested a sample of 40 payments. During this testing we noted two payments for supplies that lacked evidence of review and approval by either Nevada Department of Transportation management or purchasing personnel to support that the charges were reviewed for allowability.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Unallowable costs could be charged to the Federal program.

*Cause:* The Nevada Department of Transportation did not have adequate policies and procedures in place to ensure that all costs charged to Federal programs were reviewed and approved by someone knowledgeable about the award prior to payment.

*Recommendation:* We recommend that the Nevada Department of Transportation implement policies and procedures to ensure that all amounts charged to Federal programs are reviewed and approved prior to payment.

*Management's Response:* See management's Interim Communication response and update to management's response on page 150.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF TRANSPORTATION:

Finding 09-7:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205:

ARRA – Highway Planning and Construction, CFDA 20.205A:

Recreational Trails Program, CFDA 20.219:

Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.205 (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement* requires that non-federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A), “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel. Although the certified weekly payrolls were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

*Questioned Cost:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Material noncompliance with the Davis-Bacon Act by a contractor could occur and not be detected or followed up on by the Nevada Department of Transportation in a timely manner.

*Cause:* Adequate control procedures were not in place to ensure that all required payrolls were received as prescribed by the Davis-Bacon Act timely.

*Recommendation:*

We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act.

*Management's Response:*

See management's Interim Communication response and update to management's response on pages 150 through 151.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF TRANSPORTATION:**

Finding 09-8:

Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205:

ARRA – Highway Planning and Construction, CFDA 20.205A:

Recreational Trails Program, CFDA 20.219:

Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.205 (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for monitoring the activities of subrecipients.

During our testing of subrecipient monitoring, we noted that one subrecipient was identified as a State agency, rather than a subrecipient, by internal audit personnel who are responsible for subrecipient monitoring. As a result, internal audit personnel did not perform subrecipient monitoring procedures for that entity.

*Questioned Cost:* Undetermined.

*Context:* The condition noted above appears to be an isolated instance.

*Effect:* Noncompliance at the subrecipient level may have occurred and not been detected by the State.

*Cause:* Although the internal audit division has adequate procedures in place for monitoring identified subrecipients, in the instance noted above, due to unique circumstances related to the formation of the entity, it was identified as a State agency (which would not require subrecipient monitoring), rather than as a subrecipient.

*Recommendation:* We recommend the Nevada Department of Transportation take extra care in determining whether entities are State agencies or subrecipients in order to ensure all subrecipients are identified and monitored, as required.

*Management's Response:* See management's response on page 151.



STATE OF NEVADA  
DEPARTMENT OF TRANSPORTATION

1263 S. Stewart Street  
Carson City, Nevada 89712

JIM GIBBONS  
Governor

SUSAN MARTINOVICH, P.E., *Director*

March 9, 2010

In Reply Refer to:

Ms. Susan Klekar  
Division Administrator  
Federal Highway Administration  
705 North Carson St  
Carson City, NV 89701

Dear Ms. Klekar:

Kafoury, Armstrong & Co., CPA's performed an Early Communication of Significant Deficiencies and Material Weaknesses in Internal Control Over Compliance For The Year ended June 30, 2009 as part of the volunteer non-Federal entities expending ARRA awards. Under this pilot project auditors were to perform audits of Auditees with ARRA expenditures under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Included in the audit were U.S. Department of Transportation CFDA 20.205 programs. Below are the findings for the Nevada Department of Transportation.

**Finding 09-4** resulted in the following recommendation:

We recommend that additional controls be put in place to ensure that ARRA expenditures are properly identified for inclusion on the SEFA. Additionally, we recommend the requirements of ARRA be reviewed and a secondary review of reported amounts be implemented.

**Response:** The Single Audit Report had an additional box to be checked if the funds included ARRA funds. We failed to check the box. It was an oversight. The procedures are in place for secondary review.

**Corrective Action has been completed:** Our procedures have been re-written to always include secondary check on reporting for the Single Audit.

**Finding 09-5** resulted in the following recommendation:

We recommend the Nevada Department of Transportation implement procedures to ensure subrecipient awards contain all of the required information.

**Response:** The finding resulted from some of our agreements not including the CFDA number.

**Corrective Action has been completed:** We have changed our agreement shells to include the CFDA number when applicable.

**Finding 09-6** resulted in the following recommendation:

The Nevada Department of Transportation did not have adequate policies and procedures in place to ensure that all costs charged to Federal programs were reviewed and approved by someone knowledgeable about the award prior to payment.

**Response:** The Nevada Department of Transportation was aware of problems with operating costs being charged incorrectly to projects and had been vigorously training staff on what was and was not allowable. Training classes were held in Las Vegas, Reno and Carson City with video conferencing to other areas. All transactions were being reviewed for any corrections that may be needed.

**Corrective Action has been completed:** Procedures have been changed to no longer allow operating costs to be charged to projects.

**Finding 09-7** resulted in the following recommendation:

We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act.

**Response:** The Nevada Department of Transportation has been following NRS (Nevada Revised Statute) 338.070 which requires submission of payroll within 15 days after the end of the month.

**Corrective Action that has been taken:** The Nevada Department of Transportation has informed the Resident Engineers, Associated Contractors Board and other NDOT staff that contractors are required to submit certified payrolls in accordance with the Davis-Bacon Act if Federal funds are used.

**Finding 09-08** resulted in the following recommendation:

We recommend the Nevada Department of Transportation take extra care in determining whether entities are state agencies or subrecipients in order to ensure all subrecipients are identified and monitored, as required.

**Corrective Action that has been taken:** The list of Local Government Entities prepared by the Nevada Department of Taxation shall be considered the official site by the Audit Division when comparing Local Governmental Entities.

Sincerely,



Robert Chisel,  
Assistant Director Administration

CC: Susan Martinovich, Director Department of  
Transportation  
Dave Olsen, Chief Accountant NDOT  
Elaine Martin, Project Accounting NDOT  
Shannon Ryan, Deputy Legislative Auditor  
Debra Clark, CPA, Kafoury, Armstrong & Co.  
Jeff Shapiro, Chief Construction Engineer  
Roc Stacey, Contract Compliance

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF TRANSPORTATION:

##### Finding 09-9:

###### Highway Planning and Construction Cluster:

Highway Planning and Construction, CFDA 20.205:

ARRA – Highway Planning and Construction, CFDA 20.205A:

Recreational Trails Program, CFDA 20.219:

Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.219 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards for communication of required information, and noted that the awards did not include the CFDA title and number.

*Questioned Cost:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level that is not detected by the State.

*Cause:* The Nevada Division of State Parks does not have adequate procedures in place to ensure subrecipient awards contain all of the required information.

*Recommendation:* We recommend the Nevada Division of State Parks implement procedures to ensure subrecipient awards contain all of the required information.

*Management's Response:* See management's response on page 153.

ALLEN BIAGGI  
Director

Department of Conservation and  
Natural Resources

DAVID K. MORROW  
Administrator

Northern Region Office  
16799 Lahontan Dam  
Fallon, NV 89406  
Phone: (775) 867-3001  
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4747 Vegas Drive  
Las Vegas, NV 89108  
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Fax: (702) 486-5186

JIM GIBBONS  
Governor

STATE OF NEVADA



DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
DIVISION OF STATE PARKS

Address Reply to:

901 S. Stewart Street,  
Suite 5005  
Carson City, NV 89701-5248

Phone: (775) 684-2770  
Fax: (775) 684-2777  
stparks@parks.nv.gov  
http://parks.nv.gov

March 4, 2010

Grace Speicher, Financial Manager  
Federal Highway Administration  
705 North Plaza Street,  
Suite 220,  
Carson City, NV 89701

Dear Ms. Speicher,

Kafoury, Armstrong & Co. CPAs performed an annual Single Audit of the Recreation Trails grant program, CFDA 20.219, administered by the Nevada Division of State Parks for the fiscal year ended June 30, 2009. Kafoury, Armstrong's finding 09-9 concerns this program.

**Finding 09-9 resulted in the following recommendation:**

We recommend the Nevada Division of State Parks implement procedures to ensure subrecipient awards contain all of the required information.

**Nevada Division of State Parks Response:**

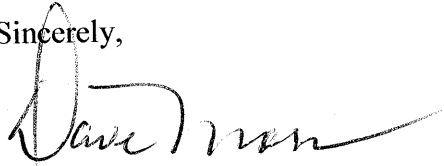
The Nevada Division of State Parks accepts the finding and is initiating immediate corrective action steps as noted below to insure procedural implementation and compliance by March 15, 2010, the beginning of the next grant application cycle of the Recreation Trails Program (RTP). The auditors noted that subrecipients may be unaware of specific Federal Award information and requirements, specifically the Catalog for Federal Domestic Assistance (CFDA) title and number for the RTP.

**Corrective Action:**

Effective March 8, 2010, the CFDA title and number for the RTP will appear on the title page for the annual RTP Manual, and RTP Application Guidelines. The CFDA will also appear on the RTP Application and on the RTP Grant Agreement. These actions will be the responsibility of the RTP Manager and be reviewed by the State Parks Program Manager.

If you have any questions, please contact Randy Moore, Recreation Trails Manager, at (775) 684-2775 or e-mail at [rlmoore@parks.nv.gov](mailto:rlmoore@parks.nv.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Morrow". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dave Morrow

Administrator, Nevada Division of State Parks

cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau  
Kirsten Hettrick, Administrative Service Officer  
Kim Copeland, Accounting Technician  
Jenny Scanland, Program Manager  
Randy Moore, Recreation Trails Manager

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF LABOR:

Finding 09-10:

Unemployment Insurance, CFDA 17.225:

ARRA – Unemployment Insurance, CFDA 17.225A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.225A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The OMB Circular A-133 Compliance Supplement Addendum #1 states that Federal Additional Compensation (FAC) is payable to individuals who are otherwise entitled under State law to receive regular Unemployment Compensation for weeks of unemployment, or are eligible for other Federal or State unemployment benefit programs (except State additional compensation).

During our testing, we reviewed reports of total FAC payments paid to claimants during the year. We noted that in several instances, claimants' total FAC payments were greater than our expected maximum total FAC payments allowed for the year. Upon further discussion with program staff, we were informed of an error in the payment processing system which caused duplicate FAC payments to be issued. This system error was detected by Department of Employment, Training and Rehabilitation staff in July 2009, and was corrected shortly thereafter.

*Questioned Costs:* \$264,111

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Unallowable costs were charged to the Federal program.

*Cause:* Adequate procedures were not in place at the Nevada Department of Employment, Training and Rehabilitation (prior to July 2009) to ensure unemployment claim payments, including payments of FAC, were accurate and appropriate.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to review and monitor unemployment claim payments to ensure they are accurate and appropriate.

*Management's Response:* See management's response on pages 119 through 120.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF LABOR:

#### Finding 09-11:

##### Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.258, 17.258A, 17.259, 17.259A, 17.260 and 17.260A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement* provides that all Employment and Training Administration (ETA) grantees are required to submit quarterly financial reports (ETA-9130) for each grant award they receive and those reports are due 45 days after the end of the reporting quarter.

As part of our testing over reporting, we reviewed all ETA-9130 reports related to WIA cluster awards submitted for the quarter ended December 31, 2008. We noted that seventeen of the eighteen reports tested were filed between six and 25 days after the reporting due date.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* The Federal granting agency did not receive the reports with program expenditure information timely.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have adequate procedures in place to ensure reporting deadlines are met.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure timely filing of all reports.

*Management's Response:* See management's response on page 120.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF LABOR:

Finding 09-12:

Workforce Investment Act Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.258A, 17.259A, and 17.260A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement Addendum #1* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

As part of our testing over ARRA expenditures, we reviewed the WIA contracts with subrecipients that included ARRA funds. During this testing, we noted that the provisions of the contracts did not identify the Federal award number, nor the CFDA number. In addition, the contracts did not include the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms.

*Questioned Costs:* None.

*Context:* The conditions noted above appear to be systemic problems.

*Effect:* Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level that is not detected by the State.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have procedures in place to ensure that all required aspects of the ARRA funds are communicated to subrecipients.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure that all information required to be provided to subrecipients under the ARRA is communicated.

*Management's Response:* See management's response on pages 120 through 121.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF LABOR:**

Finding 09-13:

Workforce Investment Act Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.258, 17.259, 17.259A and 17.260 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we reviewed subrecipient awards for communication of required information, and noted that the awards did not include the CFDA title and number.

*Questioned Costs:* None.

*Context:* The condition above appears to be a systemic problem.

*Effect:* Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have adequate procedures in place to ensure subrecipient awards contain all of the required information.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure subrecipient awards contain all of the required information.

*Management's Response:* See management's response on page 121.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF LABOR:

Finding 09-14:

Workforce Investment Act Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.258A, 17.259A, and 17.260A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement Addendum #1* requires that recipients and their first-tier subrecipients maintain current registrations in the Central Contractor Registration at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds. In addition, they must obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

As part of our testing over ARRA subawards, we inquired of personnel as to the controls in place to ensure compliance with ARRA requirements. Although it was noted that subrecipients were notified of the requirement to register in the Central Contractor Registration and obtain a DUNS number, subrecipients were provided with conflicting information from a Federal source. Consequently, one subrecipient did not register in the Central Contractor Registration, and the Nevada Department of Employment, Training and Rehabilitation did not monitor its subrecipients to ensure compliance with this requirement.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Noncompliance at the subrecipient level occurred and was not detected by the State.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have procedures in place to properly monitor subrecipients for the requirements of the ARRA funds.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to properly monitor subrecipients as required under the ARRA.

*Management's Response:* See management's response on pages 121 through 122.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF LABOR:

Finding 09-15:

Workforce Investment Act Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.258, 17.258A, 17.259, 17.259A, 17.260 and 17.260A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the State's accounting records, an error was identified on a SARF that resulted in Federal expenditures reported on the SEFA being understated.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* If errors go undetected, the SEFA, detailing Federal expenditures, could be inaccurate, incomplete, and possibly misstated.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have adequate procedures in place to ensure that Federal expenditures are reported completely and accurately on the SARFs and, ultimately, the SEFA.

*Recommendation:*

We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure Federal award expenditures are completely and accurately reported on the SARFs and, ultimately, the SEFA.

*Management's Response:*

See management's response on page 122.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF EDUCATION:**

Finding 09-16:

Vocational Rehabilitation Cluster:

Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA 84.126:

ARRA – Rehabilitation Services\_Vocational Rehabilitation Grants to States, Recovery Act,  
CFDA 84.390A:

*Grant Award Number:* Potentially affects all grant awards under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The Nevada Department of Employment, Training and Rehabilitation bi-weekly time sheet states, “The signature of the employee and the employee’s supervisor certifies the accuracy of the hours listed for federal reporting purposes.”

During our testing of salary and benefit charges to this program, we noted that, although time sheets were signed by the employee satisfying the *OMB Circular A-87* compliance requirement, two of the 40 time sheets selected for testing were not signed by the employee’s supervisor.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Unallowable costs could be charged to the Federal program.

*Cause:* Existing policies related to time sheet approval were not adhered to.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation reinforce compliance with existing policies related to time sheet approval.

*Management’s Response:* See management's response on page 169.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF EDUCATION:

Finding 09-17:

Vocational Rehabilitation Cluster:

Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA 84.126:

ARRA – Rehabilitation Services\_Vocational Rehabilitation Grants to States, Recovery Act,  
CFDA 84.390A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement* requires that the State Vocational Rehabilitation Agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

During our testing of eligibility, we noted one instance out of 40 selected for testing where the determination of eligibility exceeded 60 days from the application submission, without either an extension being filed or a trial work program being implemented.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Benefits may not have been provided to eligible individuals within a reasonable time.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have adequate procedures in place to ensure that eligibility determinations consistently occur within the required time frame.

*Recommendation:*

We recommend the Department of Employment, Training and Rehabilitation enhance procedures to ensure that eligibility determinations consistently occur within the required time frame.

*Management's Response:*

See management's response on page 169.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

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U.S. DEPARTMENT EDUCATION:

Finding 09-18:

Vocational Rehabilitation Cluster:

Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA 84.126:

ARRA – Rehabilitation Services\_Vocational Rehabilitation Grants to States, Recovery Act,  
CFDA 84.390A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements. The Nevada Department of Employment, Training and Rehabilitation is required to submit annual RSA-2 Program Cost Reports, as well as quarterly SF-269 Financial Status Reports for the Rehabilitation Services\_Vocational Rehabilitation Grants to States awards.

During testing of the annual RSA-2 Program Cost Report submitted during fiscal year 2009, we noted a formula error in a supporting spreadsheet that caused total expenditures reported to be understated by \$348,790.

In addition, we were unable to determine that supervisory review had been performed for the RSA-2 Program Cost Report and two of seven SF-269 Financial Status Reports examined.

*Questioned Costs:* None.

*Context:* The conditions noted above appear to be systemic problems.

*Effect:* Inaccurate information was reported to the Federal granting agency.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation did not have adequate reconciliation and review procedures in place to ensure that amounts included in the RSA-2 Program Cost Report and SF-269 Financial Status Reports were supported by the underlying accounting records and reviewed prior to submission.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures over the reporting process to ensure that all reports are reviewed, and evidence of the review is maintained, and that a reconciliation of total expenditures to the underlying accounting records is performed prior to submission.

*Management's Response:* See management's response on page 170.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF EDUCATION:**

Finding 09-19:

Vocational Rehabilitation Cluster:

Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA 84.126:  
ARRA – Rehabilitation Services\_Vocational Rehabilitation Grants to States, Recovery Act,  
CFDA 84.390A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA we noted that program income was not included on the SEFA.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Program income was not reported on the SEFA, which resulted in Federal expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation was unaware of the requirement to report program income relating to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.

*Recommendation:*

We recommend the Nevada Department of Employment, Training and Rehabilitation familiarize themselves with the reporting requirements related to program income and implement procedures to ensure program income related to Federal awards is provided to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.

*Management's Response:*

See management's response on page 170.

EMPLOYMENT SECURITY  
DIVISION

Office of the Administrator



**DETR**

Nevada Department of Employment,  
Training and Rehabilitation

JIM GIBBONS  
Governor

LARRY J. MOSLEY  
Director

CYNTHIA JONES  
Administrator

March 12, 2010

Ms. Jean Yan, Program Administrator  
U.S. Department of Education  
Rehabilitation Services Administration  
550 12<sup>th</sup> Street, S.W., Room 5010  
Washington, D.C. 20004-2800

**RE: Response to 2009 Single Audit Issues /Concerns**

Dear Ms. Yan:

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co. CPA's for Federal Programs administered by the Nevada Department of Employment, Training and Rehabilitation for the fiscal year ended June 30, 2009. The specific audit findings pertaining to the Rehabilitation Services Administration Federal Grants /Programs are listed below:

Findings 09-16 thru 09-19 – Vocational Rehabilitation (VR) Cluster

- Rehabilitation Services – VR Grants to States, CFDA 84.126
- ARRA Rehabilitation Services – VR Grants to States, Recovery Act, CFDA 84.390A

Please note that the Department of Employment, Training and Rehabilitation remains fully committed to ensuring compliance with applicable federal laws and regulations.

Please feel free to contact me at (775) 684-3911 or my Deputy Director, Ardell Galbreth at (702) 486-7980 if you need further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry J. Mosley", is written over the word "Sincerely,".

Larry J. Mosley  
Director

LJM:dea

cc: Ardell Galbreth, Deputy Director, DETR  
Deborah Braun, Administrator, Vocational Rehabilitation Division, DETR  
Renee Olsen, Chief Financial Officer, DETR  
Duane E. Anderson, Chief Auditor, DETR  
Kafoury, Armstrong & Co, Single Auditors  
Shannon Ryan, Legislative Counsel Bureau, Audit Supervisor

Attachments

State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Responses to Single Audit Findings  
For the Year Ended June 30, 2009

Finding 09-16

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation reinforce compliance with existing policies related to timesheet approval.

Management's Response

DETR Rehabilitation Management will be instituting the following to address timesheet deficiencies:

- Rehabilitation staff will be re-trained to adhere to departmental /divisional timesheet policies and procedures which require signed and approved timesheets. For example, district managers will be required to discuss with staff this audit exception and review the timekeeping guidelines to ensure full compliance.
- Staff responsible for reviewing and entering in timesheet information must ensure that all signatures needed to process the timesheets are present, clear and discernible.

Plus, DETR Human Resources (HR) and Audits will also be reviewing the existing timesheet procedures /processes to ensure that timesheet issues get addressed in a timely manner. The HR manager indicated that the Department is in the process of implementing a new procedure using the NEATS tracking system for timesheets which should help to ensure overall compliance.

Finding 09-17

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance procedures to ensure that eligibility determinations consistently occur within the required time frame.

Management's Response

The specific case involved a situation where the parent of a client had difficulty deciding on a course of action whereby, this indecision led to the inadvertent lapsing of the 60 day eligibility period.

DETR Rehabilitation Management will be instituting the following to address this deficiency:

- District managers will be required to discuss with staff this audit exception and review the current policy and procedures as related to the required timeframes for making eligibility determinations. In those instances where the client's eligibility is not determined within the prescribed timeframe, the eligibility determination extension form must be properly completed.
- In the Division Case Management System (RAISON), all counselors will be instructed to use the "Activity Due" feature, which can be programmed to prompt counselors regarding an upcoming due date for eligibility determination.

Finding 09-18

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures over the reporting process to ensure that all reports are reviewed, and evidence of the review is maintained, and that a reconciliation of total expenditures to the underlying accounting records is performed prior to submission.

Management's Response

DETR Financial Management will automate the compilation of underlying accounting records to eliminate errors and enhance the reconciliation process. Additionally, DETR Financial Management will ensure a supervisory review is conducted, as evidenced by the supervisor's signature and review date, in accordance with existing DETR procedures and practices.

Finding 09-19

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation familiarize themselves with the reporting requirements related to program income and implement procedures to ensure program income related to Federal awards is provided to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.

Management's Response

DETR Financial Management is now aware of the requirement to report federal program income, and has submitted a SFY 09 SARF's to the Controller's Office.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

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**U.S. DEPARTMENT OF LABOR:**

Finding 09-20:

Employment Services Cluster:

Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207:

ARRA - Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A:

Disabled Veterans' Outreach Program (DVOP), CFDA 17.801:

Local Veterans' Employment Representation Program, CFDA 17.804:

Incentive Grants - WIA Section 503, CFDA 17.267:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 17.207, 17.207A, 17.801, 17.804, and 17.267 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF)

During our testing and reconciliation of the SARFs to the SEFA, we found instances where amounts were not included on the SEFA.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* If errors go undetected, the SEFA, detailing Federal expenditures, could be inaccurate, incomplete, and possibly misstated.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation does not have adequate controls in place to ensure all Federal expenditures are included on the SEFA.

*Recommendation:*

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls to ensure all Federal expenditures are included on the SEFA.

*Management's Response:*

See management's response on page 123.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

##### Finding 09-21:

Temporary Assistance For Needy Families (TANF), CFDA 93.558:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement* for the TANF program states that “If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance”.

We obtained a list of case files where the TANF recipient was identified by the State’s IV-D agency as being non-cooperative with the Child Support Enforcement program. It is the State’s policy to terminate, rather than reduce, benefits in such cases; however, this policy was not uniformly adhered to. Of the 40 cases selected for testing, 16 recipients did not have their TANF assistance terminated when non-cooperation with the Child Support Enforcement program was reported.

*Questioned Costs:* \$20,636, which represents the amount paid to the recipients identified who were no longer eligible for benefits, for the period after the alert was entered and through the fiscal year end.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Benefits were paid to recipients who were no longer eligible.

*Cause:* An adequate process was not in place to ensure benefits were terminated once non-cooperation with the Child Support Enforcement program by a TANF recipient was identified.

*Recommendation:* We recommend the Nevada Division of Welfare and Supportive Services continue to monitor and enhance processes, as necessary, to ensure benefits are terminated once non-cooperation with the Child Support Enforcement program by a TANF recipient is identified.

*Management’s Response:* See management’s response on page 175.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 09-22:

TANF Cluster:

Temporary Assistance For Needy Families (TANF), CFDA 93.558:

*Grant Award Number:* Potentially affects all grant awards under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement* for the TANF program provides that each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. Further, the State agency must maintain adequate documentation, verification and internal control procedures to ensure the accuracy of the data used in calculating the work participation rates.

As part of our audit procedures we obtained a list of the participants whose work information was submitted to the U.S. Department of Health and Human Services (HHS) for calculation of the work participation rate and selected a sample for testing. The State was unable to provide supporting documentation files for four of the 40 participants selected for testing. Additionally, one participant's file did not contain sufficient information to support the work participation rate data that was submitted.

*Questioned Costs:* Undetermined.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* The work participation information submitted to HHS may not have been accurate.

*Cause:* The Nevada Division of Welfare and Supportive Services did not maintain adequate documentation to support the work participation information submitted to HHS.

*Recommendation:* We recommend the Nevada Division of Welfare and Supportive Services implement procedures to ensure that the information submitted to HHS for calculation of the work participation rate is adequately documented and maintained.

*Management's Response:* See management's response on page 176.



JIM GIBBONS  
Governor

STATE OF NEVADA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**DIVISION OF WELFARE AND SUPPORTIVE SERVICES**  
1470 College Parkway  
Carson City, Nevada 89706-7924  
(775) 684-0500 • Fax (775) 684-0646

MICHAEL J. WILLDEN  
*Director*

ROMAINE GILLILAND  
*Administrator*

March 10, 2010

Ms. Tracy Donovan, Program Specialist  
Administration for Children & Families, Region IX  
90 7<sup>th</sup> St., 9<sup>th</sup> Floor  
San Francisco, California 94103

Dear Ms. Donovan:

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several grant programs administered by the Nevada State Division of Welfare and Supportive Services (DWSS) for the fiscal year ended June 30, 2009. Included in the audit were the grants for Temporary Assistance for Needy Families (TANF), CFDA 93.558 and Social Services Block Grant, CFDA 93.667. Kafoury, Armstrong's findings 09-21, 09-22 and 09-29 concern these programs.

**Finding 09-21 resulted in the following recommendation:**

We recommend the Nevada Division of Welfare and Supportive Services continue to monitor and enhance processes, as necessary, to ensure benefits are terminated once non-cooperation with the Child Support Enforcement program by a TANF recipient is identified.

**Response:**

The Division of Welfare and Supportive Services (DWSS) accepts this finding and has initiated immediate corrective action steps to ensure procedural implementation and compliance. The auditors noted that an adequate process was not in place to ensure benefits were terminated once non-cooperation with the Child Support Enforcement program by a TANF recipient was identified.

**Corrective Action:**

The Division continues to enhance the tracking methods used to determine staff is taking appropriate action upon notification of non-compliance with the Child Support Enforcement Program. Revised procedures with specific time frames for actions taken were issued to all eligibility staff. All actions by staff will be tracked for timeliness and appropriateness through a central spreadsheet and dedicated email account. Using time tracking triggers, staff non-action will result in notification to their Assistant Office Manager, Office Manager and Field Services Manager. Further non-action by staff will additionally result in notification to the Deputy Administrator for Program and Field Operations to be addressed.

In addition, program staff in the Eligibility and Payments Unit shall monitor the tracking spreadsheet to determine appropriate action has been taken in a timely manner ensuring the client is allowed sufficient notice and time to cooperate without an interruption in benefits. The goal is to ensure compliance with child support and not to terminate unless compliance cannot be achieved.

**Finding 09-22 resulted in the following recommendation:**

We recommend the Nevada Division of Welfare and Supportive Services implement procedures to ensure that the information submitted to HHS for calculation of the work participation rate is adequately documented and maintained.

**Response:**

The Division of Welfare and Supportive Services has reviewed and accepts this finding. The auditors noted DWSS did not maintain adequate documentation to support the work participation information submitted to HHS.

**Corrective Action:**

As part of the Technology Initiatives enhancements currently in process, the Division has developed a file tracking system which is presently being implemented. This involves bar-coding every case file as it is created and entering the bar code information into the file tracking system. Eventually every case file will be bar-coded with the information entered into file tracking, providing the ability to pinpoint the exact location of any file that has been entered. Another enhancement which will be implemented and should eventually alleviate the problem of missing case files altogether, is document imaging. Once fully implemented, every piece of hard copy documentation contained in a case file will be scanned and indexed to create a virtual case file. Instead of utilizing a hard copy case file, those with a need to access the file will be able to enter the case identifying information in the document imaging system and access the virtual case file online, containing all the information contained in the hard copy case file.

Additionally, the Division performs monthly work participation reviews as part of the quality control review process. When recipient case files are discovered to contain inadequate documentation to support work participation activities, they are discussed as part of the monthly quality control error review conference call. Office staff are afforded the opportunity to defend the activity documentation and if not successfully rebutted, provided guidance by quality control staff as to the appropriate documentation needed. This is and will continue to be an ongoing activity which has been in place since implementation of the Work Verification Plan in an effort to reduce the error rate and ensure proper file documentation.

**Finding 09-29 resulted in the following recommendation:**

We recommend the Director's Office and the Nevada Division of Welfare and Supportive Services implement procedures to ensure that federal award expenditures are reported completely and accurately on the SARF's and, ultimately, the SEFA.

**Response:**

The Division of Welfare and Supportive Services accepts this finding but disputes the conclusion that the condition appears systemic. DWSS acknowledges incorrectly identifying fund transfers from Temporary Assistance for Needy Families (TANF) to the Social Services Block Grant (SSBG) on the SFY 2009 Single

Tracy Donovan  
March 10, 2010  
Page Three

Audit Reporting Form (SARF), but perceives this reporting error as an isolated event and considers current controls and procedures for SARF preparation adequate.

**Corrective Action:**

On January 14, 2010, DWSS provided the Nevada State Controller's Office with a revised 2009 SARF for CFDA 93.558 which correctly identified TANF transfers to the Social Services Block Grant. This revision ensured Nevada's Schedule of Expenditures of Federal Awards (SEFA) was correctly stated for CFDA 93.558. DWSS will identify TANF transfers appropriately on future SARF submissions.

If you have any questions, please contact Jeanne Gregg, Auditor III, at (775) 684-0564.

Sincerely,



Romaine Gilliland  
Administrator

cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau  
Sue Smith, Deputy Administrator, Administrative Services  
Gary Stagliano, Deputy Administrator, Program/Field Operations  
Lynn Massell, Chief Accountant  
Jeffrey Brenn, Chief, Eligibility & Payments  
Louise Bush, Chief Child Support  
Joe Garcia, Field Services Manager  
Jeanne Gregg, Auditor III, PRE

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF AGRICULTURE:

Finding 09-23:

Emergency Food Assistance Cluster:

Emergency Food Assistance Program (Administrative Costs), CFDA 10.568:

Emergency Food Assistance Program (Food Commodities), CFDA 10.569:

ARRA – Emergency Food Assistance Program (Food Commodities) CFDA 10.569A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.568, 10.569 and 10.569A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada Department of Administration, Division of Purchasing was not requesting required audit information from all subrecipients, only those who were provided more than \$500,000 in Federal funding from the Emergency Food Assistance Program.

*Questioned Cost:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the State.

*Cause:* The Nevada Department of Administration, Division of Purchasing did not fully understand the subrecipient monitoring provisions as outlined in *OMB Circular A-133*.

*Recommendation:* We recommend the Nevada Division of Purchasing familiarize themselves with the responsibilities of a pass-through entity as they relate to subrecipient monitoring, as outlined in *OMB Circular A-133*, and enhance the subrecipient monitoring procedures to ensure that audit information is requested of all subrecipients.

*Management's Response:* See management's response on page 182.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF AGRICULTURE:

#### Finding 09-24:

##### Emergency Food Assistance Cluster:

Emergency Food Assistance Program (Administrative Costs), CFDA 10.568:

Emergency Food Assistance Program (Food Commodities), CFDA 10.569:

ARRA – Emergency Food Assistance Program (Food Commodities), CFDA 10.569A:

*Grant Award Number:* Affects the grant award included under CFDA 10.569A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The *OMB Circular A-133 Compliance Supplement Addendum #1* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require their subrecipients to provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Forms.

As part of our testing over ARRA expenditures, we requested to review a sample of the State's contracts with subrecipients who received ARRA funded commodities. However, the agency could not provide the contracts for review, and the required ARRA information was not communicated to the subrecipients.

*Questioned Costs:* None.

*Context:* The conditions noted above appear to be systemic problems.

*Effect:* Subrecipients were not properly informed of the requirements under the ARRA.

*Cause:* The Nevada Division of Purchasing does not have procedures in place to ensure that all requirements of the ARRA funds are communicated to subrecipients.

*Recommendation:* We recommend the Nevada Division of Purchasing implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated.

*Management's Response:* See management's response on pages 182 through 183.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF AGRICULTURE:

Finding 09-25:

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553:

National School Lunch Program, CFDA 10.555:

Special Milk Program for Children, CFDA 10.556:

Summer Food Service Program for Children, CFDA 10.559:

Emergency Food Assistance Cluster:

Emergency Food Assistance Program (Administrative Costs), CFDA 10.568:

Emergency Food Assistance Program (Food Commodities), CFDA 10.569:

ARRA – Emergency Food Assistance Program (Food Commodities), CFDA 10.569A:

*Grant Award Number:* Affects the grant awards SFY00/X/994 under CFDA 10.555, SFY 01/X/992 under CFDA 10.569, and SFY 01/X/992 under 10.569A on the Schedule of Expenditures and Federal Awards.

*Criteria and Condition:* In accordance with 7 CFR section 250.16, accurate and complete records shall be maintained with respect to the receipt, distribution/use, and inventory of donated foods, including end products processed from donated foods.

To determine whether appropriate accounting was maintained for donated food commodities and that the physical inventory was reconciled with inventory records for both of these major programs, we planned to perform the suggested audit procedures provided in the OMB A-133 Compliance Supplements for these programs. That testing included selecting a sample of commodities on hand as of the June 30, 2009 physical inventory date and, using the commodity records, “rolling forward” the balance on hand to the current balance observed. We noted that the State does not have adequate inventory procedures to facilitate tracking physical inventory, by program, at any given point in time. As a result, performing a “roll forward” to support the June 30, 2009 balances for the Emergency Food Assistance Cluster or the Child Nutrition Cluster was not possible.

*Questioned Cost:* Undetermined.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Improper distribution or loss of donated foods could go undetected.

*Cause:* The State did not have adequate systems or procedures to facilitate tracking physical commodity inventory by Federal program.

*Recommendation:*

We recommend the Nevada Division of Purchasing update the inventory system to facilitate the tracking of physical commodity inventory by Federal program.

*Management's Response:*

See management's response on page 183.



Jim Gibbons  
Governor

STATE OF NEVADA  
DEPARTMENT OF ADMINISTRATION  
PURCHASING DIVISION  
FOOD DISTRIBUTION PROGRAM

2250 Barnett Way  
Reno, Nevada 89512

Phone (775) 688-1830 • Fax (775) 688-1503

Andrew Clinger  
Director

Greg Smith  
Purchasing Administrator

Please visit our website at <http://purchasing.state.nv.us>

March 12, 2010

Ronna Bach, Director of Special Nutrition Programs  
Stephen Pichel, Director of Field Operations  
USDA Western Region Office  
90 Seventh Street, Suite 10-100  
San Francisco, CA 94103

Kafoury, Armstrong & Co. CPA's performed an audit of The Emergency Food Assistance Program, CFDA 10.568, 10.569, and 10.569A and the Child Nutrition Program Cluster which includes the National School Lunch Program, CFDA 10.555 for the fiscal year ending June 30, 2009. The audit findings 09-23, 09-24 and 09-25 concern these programs.

**Finding 09-23 resulted in the following recommendation:**

We recommend the Nevada Division of Purchasing familiarize themselves with the responsibilities of a pass-through entity as they relate to subrecipient monitoring, as outlined in *OMB Circular A-133*, and enhance the subrecipient monitoring procedures to ensure that audit information is requested of all subrecipients.

**Nevada Food Distribution Program's response:**

We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance. However, the program Permanent Agreements have always addressed the OMB Circular A-133 audit requirements and instructs the recipient agencies to forward a copy of their audit results to our Administrative Services Division, which is responsible for reviewing these audits for corrective action and follow-up requirements.

**Corrective Action:**

Effective February 24, 2010, the Food Distribution Program distributed a notification letter regarding audit requirements to all of our subrecipients. This notification letter will be sent annually to our recipient agencies at the same time of the Single Audit notification.

**Finding 09-24 resulted in the following recommendation:**

We recommend the Nevada Division of Purchasing implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated.

**Nevada Food Distribution Program's response:**

We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance. However, please note that the Nevada Food Distribution Program was following guidance from the USDA Food Distribution Division that the commodity food purchased using entitlement funds under ARRA did not need to be tracked or reported separately from regular TEFAP commodity food. The two Federal Agencies, OMB and USDA-FDD, have provided conflicting guidance regarding this procedure.

**Corrective Action:**

The commodity foods that were received under the ARRA funds have been and currently are tracked in our inventory system separately from our regular TEFAP commodities. We notified our recipient agencies of the value of commodity foods received under a separate program code for ARRA, however, we failed to identify that these commodity foods were purchased utilizing ARRA funds. A revised Single Audit memo was sent to our recipient agencies on March 12, 2010 identifying that these commodity foods were purchased utilizing ARRA funds. We will identify all ARRA funds to our recipient agencies annually.

**Finding 09-25 resulted in the following recommendation:**

We recommend the Nevada Division of Purchasing update the inventory system to facilitate the tracking of physical commodity inventory by Federal program.

**Nevada Food Distribution Program's response:**

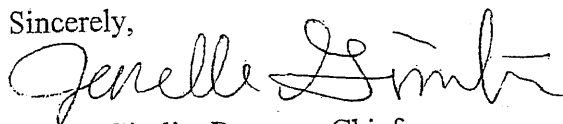
We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance. We currently run a physical inventory monthly and are able to reconcile it back to our book inventory. It was unrealistic for the audit company to schedule a partial day to reconcile twelve months of inventory records that reflect approximately 300 items. The inventory reconciliation takes an experienced staff person half a day each month. We are able to track our physical inventory at any time by running the appropriate inventory reports. We respectfully request that the follow up audit allows sufficient notice for a staff specialist to be available to conduct an inventory reconciliation and the auditor allow sufficient time to complete the process.

**Corrective Action:**

An upgraded billing and inventory system is currently being developed by Colyar Consulting Group. We will ensure the upgraded programming will produce inventory reports by program. Our new system is scheduled to be completed by December 31, 2010. The FY2010 inventory will most likely be in our current format. The FY2011 inventory will then be in the upgraded format. It will not be cost effective to try to have old data converted into our new system.

If you have any questions, please feel free to contact Wanda Shepherd, Program Specialist II, at 775-684-1833 or myself at 775-684-1832.

Sincerely,



Jenelle Gimlin, Program Chief

cc: Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

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U.S. DEPARTMENT OF JUSTICE:

Finding 09-26:

Violence Against Women Formula Grants, CFDA 16.588:  
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 16.588 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The grant agreements require that certain information be included in any subaward, contract or subcontract under these awards, including a provision that states that the Office on Violence Against Women reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for Federal government purposes: (a) The copyright in any work developed under a grant, subgrant, or contract under a grant or subgrant; and (b) Any rights of copyright to which a grantee, subgrantee or a contractor purchases ownership with grant support. Additionally, the State must include, in any subaward, the requirement that subrecipients must obtain advance written approval from the Office on Violence Against Women program manager assigned to the award, and must comply with all conditions specified by the program manager in connection with that approval before: 1) using award funds to purchase ownership of, or a license to use, a copyrighted work; or 2) incorporating any copyrighted work, or portion thereof, into a new work developed under the award.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards for communication of required information and noted that the required wording, specified above, was not included.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Subrecipients were not informed of all pertinent provisions of the grant award, which could result in noncompliance at the subrecipient level.

*Cause:* Adequate procedures were not in place at the Nevada Office of the Attorney General to ensure grant requirements were communicated to subrecipients in the subgrant agreements.

*Recommendation:* We recommend that the Nevada Office of the Attorney General implement procedures to ensure all required grant provisions are communicated to subrecipients.

*Management's Response:* See management's response on page 187.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF JUSTICE:

##### Finding 09-27:

Violence Against Women Formula Grants, CFDA 16.588:  
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

*Grant Award Number:* Potentially affects all grant awards under CFDA 16.588 and 16.588A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that for one employee, whose position was clearly dedicated to the Violence Against Women grant, the only report of time was an exception-only report that did not identify the programs or the time allocation to them. Because the time cards do not identify the Federal programs and time allocation to them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. It is the Office of the Attorney General's policy that for the employees whose time is charged to Federal awards, time is maintained in a separate system by Federal program.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Unallowable costs could be charged to the Federal program.

*Cause:* Adequate procedures were not in place at the Nevada Office of the Attorney General to ensure costs charged to the Federal program were supported by required documentation and certifications.

*Recommendation:*

We recommend that the Nevada Office of the Attorney General implement procedures to ensure amounts charged to Federal programs are supported by the required documentation and certifications.

*Management's Response:*

See management's response on pages 187 through 188.



STATE OF NEVADA  
OFFICE OF THE ATTORNEY GENERAL

100 North Carson Street  
Carson City, Nevada 89701-4717

CATHERINE CORTEZ MASTO  
*Attorney General*

KEITH G. MUNRO  
*Assistant Attorney General*  
JIM SPENCER  
*Chief of Staff*

March 11, 2010

Kim Galvin, STOP Program Manager  
Office on Violence Against Women  
800 K Street, Ste. 920  
Washington, D.C. 20530

Dear Ms. Galvin:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of STOP grant program, CFDA 16.588, active during the Nevada fiscal year 2009, which ended June 30, 2009. Included in the audit was grant activity from STOP fiscal years 2006, 2007, 2008 and ARRA-STOP (CFDA 16.588 A). Kafoury, Armstrong's findings 09-26 and 09-27 concerns the STOP and STOP Recovery programs.

Finding 09-26 resulted in the following recommendation:

"We recommend that the Nevada Office of the Attorney General implement procedures to ensure all required grant requirements are communicated to subrecipients in the subgrant agreements."

Nevada Office of Attorney General Response:

The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 09-26:

Written policies and checklists will be developed prior to the STOP 2010 sub grant cycle beginning September to ensure all 2010 federal special conditions are passed on to sub grantees. Additionally, revised special conditions, including all federal conditions and terms, will be sent to all current STOP and ARRA-STOP sub grantees by April 30, 2010. This will be done by or under the supervision of Elizabeth Greb, Grants & Projects Analyst III.

Finding 09-27 resulted in the following recommendation:

"We recommend that the Nevada Office of the Attorney General implement procedures to ensure amounts charged to Federal programs are supported by the required documentation and certifications."

Nevada Office of Attorney General Response:

The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 09-27:

A certification document will be developed for federally, grant funded, exempt employees who do not otherwise have to report their hours. This certification will state that said employees will and/or have put in the hours and effort required per the terms of their grant funding for the time specified. The certification will be signed and dated by the employee and their on-site supervisor and returned to grant administrator and will correspond with semi-annual progress reporting periods (January – June and July – December). This certificate will be created and completed for July – December 2009 by March 31, 2010, and required semi-annually thereafter. This will be done by or under the supervision of Elizabeth Greb, Grants & Projects Analyst III.

If you have any further questions, please contact me at (775) 684-1148 or [egreb@ag.nv.gov](mailto:egreb@ag.nv.gov); or you may contact Debra Crowley, Chief Financial Officer of the Nevada Office of the Attorney General at (775) 684-1116 or [dcrowley@ag.nv.gov](mailto:dcrowley@ag.nv.gov).

Sincerely,

CATHERINE CORTEZ MASTO  
Attorney General

By:   
ELIZABETH GREB  
Grants & Projects Analyst III &  
Nevada STOP Administrator  
(775) 684-1148

Cc: Shannon Ryan, Audit Supervisor, LCB  
Debra Crowley, CFO, Nevada Attorney General  
Debbie Clark, Kafoury, Armstrong & Co.  
STOP, ARRA-STOP & GTEAP Admin Files

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

##### Finding 09-28:

Social Services Block Grant, CFDA 93.667:

<i>Grant Award Number:</i>	Affects grant awards under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p><i>OMB Circular A-133</i> requires the State to identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. To comply with this requirement the State of Nevada Office of the State Controller has established written policies, <i>Accounting Policies and Procedures, June 2009</i>, which provide that all State agencies that are recipients of Federal assistance must identify the receipt and use of the assistance. The identification must incorporate the Catalog of Federal Domestic Assistance (CFDA) number and be reflected in the records of the State central accounting system or another accounting system approved by the Controller. This coding also allows for the monitoring of daily cash balances and the calculation of interest liabilities for programs covered under the Cash Management Improvement Act (CMIA).</p> <p>During our testing of Social Services Block Grant (SSBG) expenditures, we noted that program personnel were not including the CFDA number when coding those Federal expenditures for inclusion in the central accounting system.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	The program expenditures were not posted to the central accounting system in accordance with State policy, which could have prevented the Controller's office from preparing the CMIA interest calculation accurately. Program expenditure amounts had to be re-coded with the CFDA number in order to calculate the CMIA interest liability for the SSBG program.
<i>Cause:</i>	The Nevada Department of Health and Human Services Director's Office personnel did not follow the State's accounting policies and procedures for the identification of receipt and use of Federal assistance.
<i>Recommendation:</i>	We recommend that the grant personnel code Federal receipts and expenditures for Federal programs in accordance with the State's accounting policies and procedures.
<i>Management's Response:</i>	See management's response on page 192.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-29:

TANF Cluster:

Temporary Assistance for Needy Families (TANF), CFDA 93.558:  
Social Services Block Grant, CFDA 93.667:

*Grant Award Number:* Potentially affects all grant awards under CFDA 93.667 and 93.558 on the Schedule of Expenditures and Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the State's accounting records, several errors were identified. These included overlooking the requirement that Federal funds transferred from Temporary Assistance for Needy Families (TANF) to the Social Services Block Grant be reported on the SEFA under Social Services Block Grant, CFDA 93.667. Social Services Block Grant program personnel also incorrectly reported transfers to State agencies as payments to subrecipients, overstating the amount reported on the SEFA.

*Questioned Costs:* None.

*Context:* The conditions noted above appear to be systemic problems.

*Effect:* If errors go undetected, the SEFA, detailing Federal expenditures, could be inaccurate, incomplete, and possibly misstated.

*Cause:* The Nevada Division of Welfare and Supportive Services and the Nevada Department of Health and Human Services Director's Office do not have adequate procedures in place to ensure that Federal expenditures are reported completely and accurately on the SARFs and, ultimately, on the SEFA.

*Recommendation:*

We recommend the Director's Office and the Nevada Division of Welfare and Supportive Services implement procedures to ensure that Federal award expenditures are reported completely and accurately on the SARFs and, ultimately, the SEFA.

*Management's Response:*

See management's response on pages 176 through 177 and 192 through 193.



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIRECTOR'S OFFICE  
4126 Technology Way Room 100  
Carson City, Nevada 89706  
Telephone (775) 684-4000 • Fax (775) 684-4010  
hr.state.nv.us

March 4, 2010

Ms. Marsha Werner, SSBG Program Manager  
Office of Community Services  
Administration for Children and Families  
US Department of Health & Human Services  
370 L'Enfant Promenade, SW  
Washington, DC 20447

Dear Ms. Werner,

Kafoury, Armstrong & Co. CPAs performed an annual Single Audit of the Social Services Block Grant (SSBG, CFDA 93.667) and the Temporary Assistance for Needy Families (TANF, CFDA 93.558) program for the period ending June 30, 2009. This SSBG grant is administered by Nevada's Department of Health & Human Services, Director's Office (DHHS-DO). The Director's Office receives a TANF to Title XX transfer of funds from the Nevada Division of Welfare and Supportive Services (DWSS). Kafoury, Armstrong's findings 09-28 and 09-29 concern these programs.

Finding 09-28 resulted in the following recommendations:

We recommend that the grant personnel code Federal receipts and expenditures for Federal programs in accordance with the State's accounting policies and procedures.

DHHS-DO Response:

The Director's Office accepts this finding and has corrected the internal procedures for identifying Federal receipts and expenditures as outlined below. The auditors noted that the Director's Office was identifying the expenditures separately, but did not utilize the procedure as outlined by the State of Nevada Office of the Controller's procedures.

Corrective Action:

Effective January 14, 2010, the Director's Office incorporates the use of the Catalog of Federal Domestic Assistance (CFDA) number in coding all receipts and expenditures that utilize such assistance.

Finding 09-29 resulted in the following recommendations

We recommend the Director's Office and the Nevada Division of Welfare and Supportive Services implement procedures to ensure that Federal award expenditures are reported completely and accurately on the SARFs (Single Audit Reporting Forms) and ultimately, the SEFA (Schedule of Expenditures of Federal Awards).

March 10, 2010

Page 2 of 2

DHHS-DO Response:

The Director's Office accepts this finding and has corrected the internal procedures for identifying Federal receipts and expenditures as outlined below.

Corrective Action:

Effective January 14, 2010, all SARF documents from both the Director's Office and DWSS were revised to correctly report the TANF to Title XX transfer for the period ending June 30, 2009. Internal controls have been revised and staff given notice of the correct procedure for the future.

The Director's Office is confident that the corrective action plans for both findings will overcome these concerns and secure full policy compliance for both programs. If you have any questions, please contact Shawna DeRousse, Administrative Fiscal Officer III, at 775-684-3494.

Sincerely,



Michael Torvinen  
Deputy Director Fiscal Services

Cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 09-30:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

*Grant Award Number:* Potentially affects all grant awards under CFDA 93.283 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* The OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that the Nevada State Health Division assigns percentages of time that employees are to work on multiple Federal programs, including the Centers for Disease Control and Prevention\_ Investigations and Technical Assistance program. The employees' salaries and benefits are charged to the Federal programs according to the percentage assigned to their position. The time cards signed by employees are exception-only reports that do not identify the programs or the time allocation on them. Because the time cards do not identify the Federal programs and time allocation on them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

*Questioned Costs:* Undetermined.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Unallowable costs could be charged to the Federal program.

*Cause:* Adequate procedures were not in place at the Nevada State Health Division to ensure costs charged to the Federal program were supported by required documentation and certifications.

*Recommendation:*

We recommend that the Nevada State Health Division implement procedures to ensure amounts charged to Federal programs are supported by the required documentation and certifications.

*Management's Response:*

See management's response on pages 202 through 203.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-31:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.283 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires the State to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. In the case of the Chronic Disease Prevention and Health Promotion Programs, award number 5U58/DP922830-05W1, National Breast and Cervical Cancer Early Detection Program, this includes establishing provider pay rates at an amount at or below the Medicare rate for the same service.

During testing of the match requirement for the Chronic Disease Prevention and Health Promotion Programs, award number 5U58/DP922830-05W1, National Breast and Cervical Cancer Early Detection Program, we noted that the State did not update their provider pay rates to coincide with changes in the Medicare rates in a timely manner and because the State did not update the rates timely, payments were made in amounts that exceeded the maximum allowable rates.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Unallowable costs, projected to be less than \$10,000, were charged to the Federal program.

*Cause:* The Nevada State Health Division updates their authorized rates on a fiscal year basis rather than on a calendar year basis, which would coincide with updates to the Medicare rates.

*Recommendation:* We recommend the Nevada State Health Division implement procedures to ensure that their authorized rates are updated on a calendar year basis to coincide with updates to the Medicare rates.

*Management's Response:* See management's response on page 203.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-32:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.283 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires that reports submitted to the Federal awarding agency are presented in accordance with the terms and conditions of the award.

During testing of the final Financial Status Report for grant award number U58/CCU922830-05, we noted that the final report was required to be submitted no more than 90 days after the budget period ended March 29, 2009; however, the final report was not filed until June 30, 2009.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* The Federal granting agency did not receive the reports timely.

*Cause:* The Nevada State Health Division did not have adequate controls in place to ensure the reports were filed timely.

*Recommendation:* We recommend the Nevada State Health Division enhance controls to ensure that the reports are filed timely.

*Management's Response:* See management's response on page 203.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

##### Finding 09-33:

Public Health Emergency Preparedness, CFDA 93.069:

Immunization Cluster:

Immunization Grants, CFDA 93.268:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.069, 93.268, 93.283, and 93.889 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the State.

*Cause:* The Nevada State Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.

*Recommendation:* We recommend the Nevada State Health Division implement procedures to ensure subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe.

*Management's Response:* See management's response on page 204 and pages 207 through 212.

**STATE OF NEVADA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 09-34:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

*Grant Award Number:* Applies to grant awards U58/DP000804-01 and U58/DP000804-02 under CFDA 93.283 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA, we noted that program income for grant award U58/DP000804-02 (National Program of Cancer Registries) was not included on the SEFA. In addition, program income was not reported on the final SF-269 Financial Status Report for the program, as prepared by Nevada State Health Division.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Program income was not reported on the SEFA or the SF-269 Financial Status Report, which resulted in Federal expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.

*Cause:* The Nevada State Health Division was unaware of the requirements to report program income relating to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA, and to report those amounts on the SF-269 Financial Status Reports.

*Recommendation:*

We recommend the Nevada State Health Division familiarize themselves with the reporting requirements related to program income and implement procedures to ensure program income related to Federal awards and the related expenditures is provided to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA, and are included on the SF-269 Financial Status Reports.

*Management's Response:*

See management's response on page 204.

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-35:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

*Grant Award Number:* Affects grant awards 5U58/DP922830-05W1, U58/DP000804-02 and U58/DP002003-01 under CFDA 93.283 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the State's accounting records, we identified amounts that were excluded from the SARFs, that resulted in Federal expenditures reported on the SEFA being understated.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* If errors go undetected, the SEFA, detailing Federal expenditures, could be inaccurate, incomplete, and possibly misstated.

*Cause:* The Nevada State Health Division does not have adequate procedures in place to ensure that Federal expenditures are reported completely and accurately on the SARFs and, ultimately, the SEFA.

*Recommendation:* We recommend the Nevada State Health Division implement procedures to ensure that Federal expenditures are reported completely and accurately on the SARFs and, ultimately, the SEFA.

*Management's Response:* See management's response on page 205.

STATE OF NEVADA

**JIM GIBBONS**  
Governor

**MICHAEL J. WILLDEN**  
Director



**RICHARD WHITLEY, MS**  
Administrator

**TRACEY D. GREEN, MD**  
State Health Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
HEALTH DIVISION**

4150 Technology Way, Suite 300  
Carson City, Nevada 89706  
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 11, 2010

Hector Buitrago, Grants Management Officer  
Centers for Disease Control and Prevention  
Procurement and Grants Office  
Koger Center, Colgate Building  
2920 Brandywine Road, Mail Stop E 09  
Atlanta, GA 30341

Dear Mr. Buitrago:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2009. Included in the audit was the Centers for Disease Control and Prevention, Investigations and Technical Assistance, CFDA 93.283.

The following response as of March 9, 2010 is provided in response to the June 30, 2009 audit of our division.

Finding 09-30:

*Adequate procedures were not in place at the Nevada State Health Division to ensure costs charged to the Federal program were supported by required documentation and certifications.*

Management's Response:

As previously noted in the response to finding 08-3, the Nevada State Health Division during SFY08 converted from an off-line payroll reporting system to use of the on-line, NEATS-Nevada Employee Action Tracking System, which resulted in certain documentation and certifications no longer being maintained. While the Nevada State Health Division has attempted to put into place procedures to allow for more complete time and effort information, we are still in the process of ensuring that all employees who are split funded list their funding in the notes of the NEATS timesheet. Additionally, the Division is working with the State

Department of Personnel to explore other time reporting options within the existing NEATS framework. Program staff has been advised and instructed to monitor to ensure such documentation is present. Each Administrative Services Officer assigned to a Health Division Bureau will monitor timesheets and documentation to insure that compliance is achieved no later than June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 09-31:

*The Nevada State Health Division updates their authorized rates on a fiscal year basis rather than on a calendar year basis, which would coincide with updates to the Medicare rates.*

Management's Response:

The program will implement procedures to ensure that the Medicare authorized rates are updated on a calendar basis in our database system for reimbursements. This practice will eliminate the lapse in Medicare authorized rates and our reimbursement rates. Along with the changes in the database, the National Breast and Cervical Cancer Early Detection Program will post Medicare rates on our website for providers. The changes to our database must be completed by our information technology contractor; expected date for updates to the system will be done on a biannual basis and shall be completed by the end of March 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 09-32:

*The Nevada State Health Division did not have adequate controls in place to ensure the reports were filed timely.*

Management's Response:

As previously noted in the response to finding 08-2, the Nevada State Health Division has created a tracking calendar and spreadsheet to track all timelines for submittals of Financial Status Reports to ensure compliance with due dates. We have since enhanced these procedures further to include additional checks and balances so that late submissions do not occur. The corrective action should be completed by March 31, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 09-33:

*The Nevada State Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.*

Management's Response:

As previously noted in the response to finding 08-1, the Health Division has implemented procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all subrecipients.

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.
- All audit reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 09-34:

*The Nevada State Health Division was unaware of the requirements to report program income relating to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA, and to report those amounts on the SF-269 Financial Status Reports.*

Management's Response:

All forms previously submitted have been corrected and resubmitted to show program income. Procedures have been updated and staff members have been trained to include these amounts on all necessary reports. Action on this finding has been completed. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 09-35:

*The Nevada State Health Division does not have adequate procedures in place to ensure that Federal expenditures are reported completely and accurately on the SARFs and, ultimately, the SEFA.*

Management's Response:

In addition to updating current procedures for reporting, the Division will enhance review and audit procedures, to include greater coordination between program and fiscal staff, so that all expenditures are noted properly. Corrective action on this finding should be completed by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 09-41:


*The Nevada State Health Division did not have adequate controls in place to ensure the reports (FSRs) were filed accurately. The indirect expenditure amounts reported were not reconciled to the accounting system and to the approved indirect cost rate. The Nevada State Health Division also did not have adequate controls in place to ensure required match and complete maintenance of effort amounts were accurately reported.*

Management's Response:

In addition to updating current procedures for reporting to reflect updates to changed indirect rates, the Division will enhance review and audit procedures to include more accurate/descriptive report narrative and will work toward greater coordination between program and fiscal staff, so that all expenditures are noted properly. The Division will make every effort to ensure that revised reports are submitted timely, should reporting adjustments be necessary. Corrective action on this finding should be completed by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044, or e-mail at [pweyrick@health.nv.gov](mailto:pweyrick@health.nv.gov).

Sincerely,

  
Richard Whitley, MS  
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA  
Michael Willden, Director, Department of Health and Human Services  
Michael Torvinen, Deputy Director, Department of Health and Human Services  
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division  
Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division

STATE OF NEVADA

JIM GIBBONS  
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RICHARD WHITLEY, MS  
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TRACEY D. GREEN, MD  
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
HEALTH DIVISION

4150 Technology Way, Suite 300  
Carson City, Nevada 89706  
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 11, 2010

Glynnis Taylor  
Centers for Disease Control and Prevention  
Procurement and Grants Office  
Koger Center, Colgate Building  
2920 Brandywine Road, Mail Stop K 69  
Atlanta, GA 30341

Dear Ms. Taylor

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2009. Included in the audit was the Public Health Emergency Preparedness Program, CFDA 93.069.

The following response is provided in response to the June 30, 2009 audit of our Division.

Finding 09-33:

*The Nevada State Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.*

Management's Response:

As previously noted in the response to finding 08-1, the Health Division has implemented procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all subrecipients.

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.

- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.
- These actions should be completed and implemented by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

These actions should be completed and implemented by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV at 775-684-4044 or e-mail at [pweyrick@health.nv.gov](mailto:pweyrick@health.nv.gov) .

Sincerely,



Richard Whitley, MS  
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA  
Michael Willden, Director, Department of Health and Human Services  
Michael Torvinen, Deputy Director, Department of Health and Human Services  
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division  
Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division

STATE OF NEVADA

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**TRACEY D. GREEN, MD**  
State Health Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**HEALTH DIVISION**

4150 Technology Way, Suite 300  
Carson City, Nevada 89706  
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 11, 2010

Michael Vance, Grants Management Specialist  
Centers for Disease Control and Prevention (CDC)  
Acquisition and Assistance Branch I  
2920 Brandywine Road, Mail Stop K-14  
Atlanta, GA 30341

Dear Mr. Vance:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2009. Included in the audit was the Immunization Program, CFDA 93.268.

The following response is provided in response to the June 30, 2009 audit of our Division.

Finding 09-33:

*The Nevada State Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.*

Management's Response:

As previously noted in the response to finding 08-1, the Health Division has implemented procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all subrecipients.

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.

- All reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at [pweyrick@health.nv.gov](mailto:pweyrick@health.nv.gov) .

Sincerely,



Richard Whitley, MS  
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA  
Michael Willden, Director, Department of Health and Human Services  
Michael Torvinen, Deputy Director, Department of Health and Human Services  
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division  
Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division

STATE OF NEVADA

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RICHARD WHITLEY, MS  
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TRACEY D. GREEN, MD  
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
HEALTH DIVISION

4150 Technology Way, Suite 300  
Carson City, Nevada 89706  
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 11, 2010

Roscoe Brunson, Grants Management Specialist  
OPHS Grants Management Office  
1101 Wootton Parkway, Suite 550  
Rockville, MD 20852

Dear Mr. Brunson:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2009. Included in the audit was the National Bioterrorism Hospital Preparedness Program, CFDA 93.889.

The following response is provided in response to the June 30, 2009 audit of our Division.

Finding 09-33:

*The Nevada State Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.*

Management's Response:

As previously noted in the response to finding 08-1, the Health Division has implemented procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all subrecipients.

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.

- All reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by June 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at [pweyrick@health.nv.gov](mailto:pweyrick@health.nv.gov) .

Sincerely,

  
Richard Whitley, MS  
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA  
Michael Willden, Director, Department of Health and Human Services  
Michael Torvinen, Deputy Director, Department of Health and Human Services  
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division  
Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division

## STATE OF NEVADA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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#### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-36:

Medicaid Cluster:

State Medicaid Fraud Control Units, CFDA 93.775:

Hurricane Katrina Relief, CFDA 93.776:

State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777:

Medical Assistance Program, CFDA 93.778:

ARRA – Medical Assistance Program, CFDA 93.778A:

*Grant Award Number:* Affects the grant award included under CFDA 93.778A on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 Compliance Supplement Addendum #1 requires the State to maintain records that identify adequately the source and application of American Recovery and Reinvestment Act (ARRA) awards. The State of Nevada Accounting Policies and Procedures provide that ARRA grant transaction require an eight digit job number which must contain the CFDA number in the first five positions, two characters of the agency's choosing in the sixth and seventh positions and the character "Z" in the eighth position of the job number field.

During our testing and reconciliation of ARRA expenditures to the State's accounting system, we noted that, although total Federal expenditures agreed to the accounting system, all ARRA expenditures were not recorded with a "Z" in the eighth position of the job number field.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* ARRA funds may not be identified and reported as such on the SEFA.

*Cause:* The Division of Health Care Financing and Policy did not adhere to existing accounting policies and procedures related to coding ARRA transactions.

*Recommendation:* We recommend that the Division of Health Care Financing and Policy reinforce compliance with existing policies and procedures related to accounting for ARRA transactions.

*Management's Response:* See management's response on page 214.



JIM GIBBONS  
Governor

STATE OF NEVADA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**DIVISION OF HEALTH CARE FINANCING AND POLICY**

1100 E. William Street, Suite 101  
Carson City, Nevada 89701  
(775) 684-3600

MICHAEL J. WILLDEN  
*Director*

CHARLES DUARTE  
*Administrator*

March 13, 2010

Linda Gee  
Centers for Medicare and Medicaid Services  
90 7<sup>th</sup> Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

Dear Ms. Gee:

Kafoury, Armstrong & Co., CPAs, performed an annual Single Audit of several Federal grant programs, which are administered by the Department of Health and Human Services, Division of Health Care Financing and Policy for the fiscal year ended June 30, 2009. The audit consisted of a **Medicaid Cluster**, including State Medicaid Fraud Control Units (CFDA 93.775), State Survey and Certification of Health Care Providers and Suppliers (CFDA 93.777) and Medical Assistance Program (CFDA 93.778). Kafoury, Armstrong's **Finding 09-36** concerned CFDA 93.778.

**Finding 09-36** resulted in the following recommendation:

**We recommend that the Division of Health Care Financing and Policy reinforce compliance with existing policies and procedures related to accounting for ARRA transactions.**

**Response:** The Division of Health Care Financing and Policy (DHCFP) agrees with this recommendation and has taken steps described in the corrective action below to implement the recommendation.

**Corrective Action:** DHCFP has corrected this issue by ensuring the ARRA job number is currently programmed in MMIS to code ARRA expenditures accurately. ARRA was approved retroactively to October 1, 2008; however, MMIS was not updated with the ARRA job number until July 1, 2009. This required manual adjustments to ARRA expenditures in SFY 2009.

If you have questions please contact me at 775-684-3677 or [cduarte@dhcfp.nv.gov](mailto:cduarte@dhcfp.nv.gov).

Thank you,

A handwritten signature in black ink, appearing to read "Charles Duarte".

Charles Duarte, Administrator

cc: Shannon Ryan, Audit Supervisor for LCB

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-37:

HIV Care Formula Grants, CFDA 93.917:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>As noted in the <i>OMB Circular A-133 Compliance Supplement</i>, the State must maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds.</p> <p>The State uses amounts paid for medications to meet the maintenance of effort requirement for the HIV Care program. Review of the accounting records for the years ended June 30, 2008 and June 30, 2009 support that, although the State budgeted for higher medication expenditures in 2009 than in 2008, the actual amount paid for medications decreased by \$4,752 from fiscal year 2008 to fiscal year 2009.</p>
<i>Questioned costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	The State did not meet the maintenance of effort requirement.
<i>Cause:</i>	The Nevada State Health Division did not have adequate procedures in place to ensure that sufficient expenditures were made to comply with the maintenance of effort requirement.
<i>Recommendation:</i>	We recommend the Nevada State Health Division enhance procedures to ensure that sufficient expenditures are made to satisfy the maintenance of effort requirement.
<i>Management's Response:</i>	See management's response on page 219.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 09-38:

HIV Care Formula Grants, CFDA 93.917:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in the *OMB Circular A-133 Compliance Supplement*, the State is responsible for ensuring that funds expended for women, youth, infants, and children with HIV disease are not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS. The *Guidelines for Implementing the Minimum Expenditure Requirement to Provide Services to Women, Infants, Children and Youth* provide for both prospective and retrospective expenditure waivers if the State can demonstrate that required minimum expenditures were satisfied consistent with Health Resources and Services Administration (HRSA) guidelines using Medicaid, State Children's Health Insurance Program, or other qualified Federal or State expenditures.

During our audit, we examined the report prepared by State personnel to support this earmarking requirement. The report included reimbursed expenditures to subrecipients categorized by the various populations involved (women, youth, infants, or children). Based on the total percentage of women, infants, children, and youth with AIDS to the general population, the State was required to expend, in total, at least 19.01 percent of the funds to serve the women, infant, children and youth population. The State expended, in total, 21.21 percent for these populations. However, using the ratio of individual populations involved, the State was required to expend \$3,642 for infants, but only \$329 was expended for that population. While it appears that the State satisfied the earmarking requirement for the three other populations, the shortage of expenditures for infants was \$3,313, and Nevada State Health Division personnel represented that a waiver had not been requested.

*Questioned Costs:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Infants with HIV disease may not have received services they were entitled to receive.

*Cause:* The Nevada State Health Division did not have adequate policies and procedures in place to ensure that sufficient amounts to satisfy this earmarking requirement were expended as prescribed, or to maintain documentation to justify a waiver request.

*Recommendation:*

We recommend the Nevada State Health Division implement policies and procedures to ensure that amounts expended for women, youth, infants, and children with HIV are at, or above, the amount prescribed, and maintain documentation to justify a waiver request, if necessary.

*Management's Response:*

See management's response on page 220.

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

#### Finding 09-39:

##### HIV Care Formula Grants, CFDA 93.917:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p><i>OMB Circular A-133</i> requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.</p> <p>The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt of use of program income.</p> <p>During our testing and reconciliation of the SEFA, we noted that program income for the HIV Care Formula Grants was not included on the SEFA.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Program income was not reported on the SEFA, which resulted in Federal expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.
<i>Cause:</i>	The Nevada State Health Division was unaware of the requirement to report program income relating to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.
<i>Recommendation:</i>	We recommend the Nevada State Health Division familiarize themselves with the reporting requirements related to program income and implement procedures to ensure program income related to Federal awards is provided to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.
<i>Management's Response:</i>	See management's response on page 220.

STATE OF NEVADA

JIM GIBBONS  
Governor

MICHAEL J. WILLDEN  
Director



RICHARD WHITLEY, MS  
Administrator

TRACEY D. GREEN, MD  
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
HEALTH DIVISION

4150 Technology Way, Suite 300  
Carson City, Nevada 89706  
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 12, 2010

CDR Beth A. Henson, MA, MSW, LICSW  
Senior Public Health Analyst, Western Services Branch  
United States Department of Health & Human Services  
Health Resources and Services Administration (HRSA)  
HIV AIDS Bureau, Division of Service Systems  
5600 Fishers Lane, Room 7A-42  
Rockville, MD 20857

Dear Commander Henson:

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2009. Included in the audit was the Ryan White Part B CARE Program, CFDA 93.917.

The following response is provided in response to the June 30, 2009 audit of our Division.

Finding 09-37:

*The Nevada State Health Division did not have adequate procedures in place to ensure that sufficient expenditures were made to comply with the maintenance of effort requirement.*

Management's Response:

The Division's HIV Care program will enhance collaboration between Division fiscal and program staff to ensure that sufficient expenditures are made to comply with the maintenance of effort requirement. The maintenance of effort expenditures will be reconciled at the end of each month to ensure that the rate of expenditures is sufficient to comply with the total MOE requirement. This corrective action will be in place by April 30, 2010. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Public Health: Working for a Safer and Healthier Nevada

Finding 09-38:

*The Nevada State Health Division did not have adequate policies and procedures in place to ensure that sufficient amounts to satisfy this earmarking requirement were expended as prescribed, or to maintain documentation to justify a waiver request.*

Management's Response:

The Division's HIV Care program will implement policies and procedures to ensure that amounts expended for women, youth, infants, and children with HIV are at, or above, the amount prescribed, and will maintain documentation to justify a waiver request, if necessary. The Ryan White CARE Act (RWCA) Program will continue to track Women, Infant, Child, Youth (WICY) HIV/AIDS data and expenditures, as outlined in the HRSA guidance. As you are aware, the RWCA Program has been in contact with you to determine whether submitting a waiver request is appropriate, or if there are yet to be identified opportunities to meet the Infant specific WICY expenditure requirement. The Health Division is confident the RWCA Program will secure full policy compliance by June 30, 2010. The Health Program Specialist II, Beth Handler, is the management official responsible for corrective action.

Finding 09-39:

*The Nevada State Health Division was unaware of the requirement to report program income relating to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.*

Management's Response:

All forms previously submitted have been corrected and resubmitted to show program income. Procedures have been updated and staff members have been trained to include these amounts on all necessary reports. Action on this finding has been completed. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at [pweyrick@health.nv.gov](mailto:pweyrick@health.nv.gov).

Sincerely,



Richard Whitley, MS  
Administrator

Attachments

cc: Debra Clark, CPA, Kafoury, Armstrong, & Co., CPA  
Michael Willden, Director, Department of Health and Human Services  
Michael Torvinen, Deputy Director, Department of Health and Human Services  
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division  
✓ Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division  
Deborah Harris, Chief, Department of Health and Human Services, Health Division Bureau of  
Child, Family and Community Wellness

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF TRANSPORTATION:

Finding 09-40:

Highway Planning and Construction Cluster:  
Highway Planning and Construction, CFDA 20.205:  
ARRA – Highway Planning and Construction, CFDA 20.205A:  
Recreational Trails Program, CFDA 20.219:  
Appalachian Development Highway System, CFDA 23.003:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 20.219 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

During our testing of subrecipient monitoring, we noted that the Nevada Division of State Parks did not request nor receive required audit information from subrecipients.

*Questioned Cost:* None.

*Context:* The condition noted above appears to be a systemic problem.

*Effect:* Noncompliance at the subrecipient level may occur and not be detected by the State.

*Cause:* The Nevada Division of State Parks does not have adequate procedures in place to ensure that subrecipient audit reports are received and reviewed when required.

*Recommendation:* We recommend the Nevada Division of State Parks implement procedures to ensure that subrecipient audits are obtained and reviewed when required.

*Management's Response:* See management's response on page 223.

ALLEN BIAGGI  
Director

Department of Conservation and  
Natural Resources

DAVID K. MORROW  
Administrator

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JIM GIBBONS  
Governor

STATE OF NEVADA



DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES  
DIVISION OF STATE PARKS

Address Reply to:

901 S. Stewart Street,  
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stparks@parks.nv.gov  
<http://parks.nv.gov>

March 4, 2010

Grace Speicher, Financial Manager  
Federal Highway Administration  
705 North Plaza Street,  
Suite 220,  
Carson City, NV 89701

Dear Ms. Speicher,

Kafoury, Armstrong & Co. CPAs performed an annual Single Audit of the Recreation Trails grant program, CFDA 20.219, administered by the Nevada Division of State Parks (NDSP) for the fiscal year ended June 30, 2009. Kafoury, Armstrong's finding 09-40 concerns this program.

**Finding 09-40 resulted in the following recommendation:**

We recommend the Nevada Division of State Parks implement procedures to ensure subrecipient audits are obtained and revised when required.

**Nevada Division of State Parks Response:**

The Nevada Division of State Parks accepts the finding and is initiating immediate corrective action steps as noted below to insure procedural implementation and compliance by March 15, 2010, the beginning of the next grant application cycle of the Recreation Trails Program (RTP). The auditors noted that the NDSP did not request, nor receive required audit information from subrecipients as noted in OMB Circular A-133.

**Corrective Action:**

Effective March 8, 2010, NDSP, RTP will add to its annual RTP Manual an audit survey form and procedure for requesting Federal Program Award Information from subrecipients. This form will be submitted to the subrecipients with the Grant Agreement Package and again for the billing quarter ending June 30. These actions will be the responsibility of the RTP Manager and be reviewed by the State Parks Program Manager.

If you have any questions, please contact Randy Moore, Recreation Trails Manager, at (775) 684-2775 or e-mail at [rlmoore@parks.nv.gov](mailto:rlmoore@parks.nv.gov).

Sincerely,

A handwritten signature in black ink that reads "Dave Morrow". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dave Morrow

Administrator, Nevada Division of State Parks

cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau  
Kirsten Hettrick, Administrative Service Officer  
Kim Copeland, Accounting Technician  
Jenny Scanland, Program Manager  
Randy Moore, Recreation Trails Manager

# STATE OF NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 09-41:

Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283:

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.283 on the Schedule of Expenditures of Federal Awards.

*Criteria and Condition:* OMB Circular A-133 requires that reports submitted to the Federal awarding agency are presented in accordance with the terms and conditions of the award.

During testing of the final Financial Status Report for grant award number U58/CCU922830-05, we noted that the summary report, as well as three of the four individual program objective reports (Behavioral Risk Factor Surveillance System, Tobacco Prevention and Control, and Oral Disease Prevention) included amounts for indirect expenses that did not reconcile to the accounting system. The indirect cost rate stated on the summary report multiplied by the base did not equal the total amount reported.

In addition, testing over the final Financial Status Report for grant award numbers U58/CCU922830-05 (Tobacco Prevention and Control) and U58/DP000804-02 (National Program of Cancer Registries) revealed that, although, based on our testing the State met the respective match requirements, the *required* match amounts were overstated on the report. The required match reported was based on total Federal funds awarded, although the actual required match is based only on the amount of funds used. Therefore, because the grants were not fully expended, the required match as reported was overstated and, when compared to actual match provided, implied that the required match was not met

Finally, although our testing supports that the State met the maintenance of effort compliance requirement for grant award U58/DP000804-02 (National Program of Cancer Registries), the maintenance of effort amount included on the final Financial Status Report was understated, indicating that the maintenance of effort requirement was not met. The maintenance of effort reported only included the amount of program income expended; the State did not include match contributions in excess of the required match that are allowed to be applied toward their maintenance of effort costs.

*Questioned Costs:* None.

*Context:* The conditions noted above appear to be systemic problems.

*Effect:* The Federal granting agency received inaccurate information related to indirect expenditures and the State's compliance with the match and maintenance of effort requirements.

*Cause:* The Nevada State Health Division did not have adequate controls in place to ensure the reports were filed accurately. The indirect expenditure amounts reported were not reconciled to the accounting system and to the approved indirect cost rate. The Nevada State Health Division also did not have adequate controls in place to ensure required match and complete maintenance of effort amounts were accurately reported.

*Recommendation:* We recommend the Nevada State Health Division enhance controls to ensure that the reports are filed accurately, and that the amounts reported as indirect expenditures are reconciled to the accounting system, as well as to the approved indirect cost rate. We also recommend that policies be developed to ensure that the required match and complete maintenance of effort amounts are accurately reported.

*Management's Response:* See management's response on page 205.



State of Nevada  
**Office of State Controller**  
Carson City, Nevada 89701-4786

Kim R. Wallin, CMA, CFM, CPA  
State Controller

March 15, 2010

Office: (775) 684-5777  
Fax: (775) 684-5696

Kafoury, Armstrong and Co.  
Certified Public Accountants  
6140 Plumas Street  
Reno, NV 89509

Dear Sirs:

In accordance with paragraph 315(b) of the Office of Management and Budget (OMB) Circular A-133, please accept the following *Summary Schedule of Prior Audit Findings* for the year ended June 30, 2009.

**Finding 07-3:**

Program: Department of Health and Human Services, Division of Welfare and Supportive Services.  
Temporary Assistance for Needy Families (TANF), CFDA 93.558

Finding Summary: The OMB Circular A-133 Compliance Supplement for the TANF program states that "If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual and (2) may deny the family any TANF assistance".

We obtained a list of case files where the TANF recipient was identified by the State's IV-D agency as being non-cooperative with the Child Support Enforcement program through means of a system generated alert processed by the Nevada Operations of Multi-Automated Data Systems (NOMADS) during 2007. It is the State's policy to terminate, rather than reduce, benefits in such cases. However, this policy was not uniformly adhered to.

State's Response: The Division of Welfare and Supportive Services has reviewed and agrees with this finding. Staff will continue to monitor adherence to policy through Internal Quality Control, Supervisory and Management Evaluation reviews. Internal monitoring has

not identified any further instances of this type; however a subsequent audit identified cases where TANF assistance was not terminated in accordance with policy resulting in a repeat finding. Policy adherence will continue to be monitored and additional training will be provided if needed.

**Finding Status:** Staff continues to routinely monitor adherence to policy through Internal Quality Control case reviews and Supervisory and Management Evaluation case reviews. Policy adherence continues to be monitored and subject matter training is part of the Division's new worker program as well as our in-service training curriculum. While staff monitoring had not identified any further instances of this type, a subsequent audit identified cases where TANF assistance was not terminated in accordance with policy, resulting in a repeat finding. Additional corrective measures have been implemented as a result of finding 08-7, also addressed in this letter.

**Finding 07-5:**

**Program:** Department of Health and Human Services, Health Division  
Immunization Grants, CFDA 93.268  
Centers for Disease Control and Prevention, Investigations and Technical Assistance, CFDA 93.283

**Finding Summary:** As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

**State's Response:** The Immunization Program will be implementing the following procedures to ensure that subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframes:

- 1) A communication (Attachment C) is being sent to all subrecipients informing them of the following:
  - The audit requirements of OMB Circular A-133.
  - That a copy of audits required by OMB Circular A-133 must be presented to the Health Division within nine (9) months of the end of the subrecipient's audit period.
  - The total value of all non-cash assistance (vaccines) provided to the subrecipients through the Immunization Program during calendar year 2007.

2) The Immunization Program will immediately begin collecting data from all subrecipients to determine whether or not they are required to prepare audits under OMB Circular A-133. (Attachment C)

- This data will be collected from 100% of active, enrolled providers by April 30, 2008 and new providers as they are enrolled.
- The Immunization Program will monitor this data to ensure that the required audits are presented to the Health Division within nine (9) months of the end of the subrecipients' audit periods.
- The Immunization Program will review the subrecipients' audit reports and issue management decisions on audit findings within 6 months of receipt of the reports.
- The Immunization Program will ensure that the subrecipients take timely and appropriate corrective action on all audit findings.
- The Immunization Management Analyst II will ensure that these procedures are fully implemented by May 15, 2008. Work Performance Standards will be adjusted to reflect these additional duties.

3) The following language will be added to the Provider Enrollment Agreement for the 2009 enrollment year under the heading "Immunization and Vaccines for Children Grants funding disclosure and audit requirements:"

"A copy of this audit must be presented to the Nevada State Health Division within nine (9) months of the end of your audit period." (Attachment D)

**Finding Status:**

The Health Division has implemented the following procedures:

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.
- As A-133 audits are to be completed within nine months of the end of their fiscal year, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.

**Finding 07-8:**

**Program:**

Nevada Commission on Economic Development, Rural Community Development

Community Development Block Grants/State's Program, CFDA 14.228

**Finding Summary:** Reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by the underlying data records in the State's accounting system, and should be fairly presented in accordance with program requirements. Instructions for the Performance and Evaluation Report (PER) issued by the U.S. Department of Housing and Urban Development state that the "Amount Drawn Down" reported in the financial data section of the PER should include the cumulative amount of the annual grant that has been drawn down by the State as of June 30<sup>th</sup> of the current year. The grant amount drawn down is defined as an amount that has been drawn down from the State's line of credit for the award.

During testing of the financial data included in the PER, we determined that incorrect amounts were reported for Amount Drawn Down, and the total of the Amounts Drawn Down during fiscal year 2007 for all the annual awards could not be reconciled to the total Community Development Block Grants (CDBG) draws in the State's accounting system.

The State was reporting the amounts drawn by subrecipients for obligations corresponding to each annual award, rather than the amount that had been drawn down from the State's line of credit for the award. Additionally, the amounts reported did not consistently include the amounts drawn for the reimbursement of allowable administrative and program costs.

**State's Response:** The Nevada Commission on Economic Development acknowledges this finding and will take the steps outlined in the Corrective Action below to implement the recommendation.

Corrective Action: The Nevada Commission on Economic Development will:

- Seek guidance from the U.S. Department of Housing and Urban Development, the Council of State Community Development Agencies, and other State CDBG Programs on how to properly prepare the financial section of the annual PER;
- Correct the amounts drawn down for 2006 and 2007 in the next PER (due September 2008);
- Ensure the amounts drawn down include the amounts drawn for administration and other allowable program costs.

**Finding Status:** With regard to this finding, which included a recommendation that the State's CDBG Program enhance (Performance Evaluation) Report preparation to meet the requirements of the U.S. Department of Housing and Urban Development (HUD), we have:

- Sought and obtained clarification from HUD (Ref. CPD Notice 07-06) and others (including CDBG Program management in Utah) on the proper preparation of the financial section of the annual Performance Evaluation Report (PER);
- Completed the PER for Program Year 2007-08 and corrected previous PERs to properly reflect the amounts drawn down from the State's line of credit with HUD;
- Included in these corrections the amounts drawn down for program administration and other allowable program costs (such as technical assistance), as advised by Kafoury Armstrong & Co. in their Single Audit of January 2008.

We are continuing to implement procedures to ensure that the PERs will be prepared in line with HUD's requirements.

**Finding 08-1:**

**Program:** Department of Health and Human Services, Health Division  
Public Health Emergency Preparedness, CFDA 93.069;  
Immunization Grants, CFDA 93.268;  
Centers for Disease Control and Prevention\_ Investigations and Technical Assistance, CFDA 93.283;  
National Bioterrorism Hospital Preparedness Program, CFDA 93.889;

**Finding Summary:** As noted in the OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

**State's Response:** The Nevada State Health Division is in the process of writing procedures to ensure that it tracks every subrecipient subject to A-133 audit, monitors deadlines when they are to be completed, reviews audit for findings, investigates findings for compliance with policies and contacts sub grantees when not received on time. The audits will be sent to Administration and copies are kept in the program/grant files. It is envisioned said procedures will be completed and in place within the next 90 days.

**Finding Status:** The Health Division has implemented the following procedures:

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.

- As A-133 audits are to be completed within nine months of the end of their fiscal year, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.

**Finding 08-2:**

Program: Department of Health and Human Services, Health Division  
Centers for Disease Control and Prevention\_ Investigations and Technical Assistance,  
CFDA 93.283:

Finding Summary: OMB Circular A-133 requires that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by the underlying accounting or performance records, and are presented in accordance with program requirements.

During testing of the final Financial Status Report for grant award number U90/CCU916964-07-4, we determined that, although the cumulative amount included in the report could be traced to the accounting system, the supplemental reports that included information for the three separate program objectives (Base, Cities Readiness Initiative, and Pandemic Flu) could not be reconciled to the accounting system. Additionally, the final report for that grant award was required to be filed by November 30, 2007; an interim report was filed December 12, 2007, and the final report was not filed until March 24, 2008.

State's Response: The Nevada State Health Division created a data base to track all timelines for submittals of Financial Status Reports and has adhered to those dates. In addition, during SFY09 the Division created separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier. Both of these implementations should ensure this finding is addressed.

Finding Status: The Nevada State Health Division has created a tracking calendar and spreadsheet to track all timelines for submittals of Financial Status Reports to ensure compliance with due dates. In addition, during SFY09 the Division created separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier.

**Finding 08-3:**

Program: Department of Health and Human Services, Health Division  
Centers for Disease Control and Prevention\_ Investigations and Technical Assistance,  
CFDA 93.283:

Finding Summary: The OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that the Nevada State Health Division assigns percentages of time that employees are to work on multiple Federal programs, including the Centers for Disease Control and Prevention, Investigations and Technical Assistance. The employees' salaries and benefits are charged to the Federal programs according to the percentage assigned to their position. The time cards signed by employees are exception-only reports that do not identify the programs or the time allocation on them. Because the time cards do not identify the Federal programs and time allocation on them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

State's Response: The Nevada State Health Division during SFY08 converted from an off-line payroll reporting system to use of the on-line Nevada Employee Action Tracking System (NEATS), which resulted in certain documentation and certifications no longer being maintained. The Nevada State Health Division will work with all employees to ensure the documentation and certifications which were kept on the off-line payroll reporting system are input into the new on-line reporting system. It is envisioned that the required documentation and certifications will be completed and in place within the next 90 days.

Finding Status: The Nevada State Health Division during SFY08 converted from an off-line payroll reporting system to use of the on-line Nevada Employee Action Tracking System (NEATS), which resulted in certain documentation and certifications no longer being maintained. The Nevada State Health Division is in the process of ensuring that all

employees who are split-funded list their funding in the notes of the NEATS timesheet. Fiscal staff will be advised and instructed to monitor to ensure such documentation is present.

**Finding 08-4:**

Program: Department of Health and Human Services, Health Division  
Immunization Grants, CFDA 93.268:

Finding Summary: In accordance with the guidelines provided in the OMB Circular A-133 Compliance Supplement, a pass-through entity is responsible for monitoring subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with federal requirements. This includes the monitoring of subrecipient requests for Federal funds to ensure the requests are allowable costs. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same cost standards as apply to the pass-through entity.

As part of our testing over subrecipient monitoring, we reviewed supporting documentation for payments made to subrecipients. During this testing we examined a reimbursement request which included costs for a dinner seminar presented by a subrecipient for a topic related to the program. In reviewing the documentation, it was noted the reimbursement included \$1,140 for wine served with the dinner.

State's Response: In response to audit finding 08-4, the Immunization Program distributed the Guidelines for Immunization Program Operations Manual Allowable and Nonallowable Costs to all subgrantees. The Immunization Program will obtain acknowledgment from each subrecipient of receipt and understanding of these guidelines. A process to review each subrecipient reimbursement request has been instituted within the program to ensure that each reimbursement meets the same cost standards as those that apply to the Immunization Program. The process includes a thorough review by the program fiscal staff, program fiscal manager, and program manager to ensure any unallowed costs are identified and not reimbursed.

In addition, in response to audit finding 08-4, the Immunization Program has contacted the subrecipient and requested the return of the \$1,140 in nonallowable costs previously reimbursed.

Finding Status: In response to this audit finding, the Immunization Program implemented the processes for reviewing subrecipient reimbursement requests immediately upon receipt of the audit finding. As reported previously the program distributed the Guidelines for Immunization Program Operations Manual Allowable and Nonallowable Costs to all subrecipients. In April 2009, the Immunization Program met with all subrecipients to ensure their receipt and understanding of the federal cost guidelines. A process to review each subrecipient reimbursement request has

been instituted within the program to ensure that each reimbursement meets the same cost standards as those that apply to the Immunization Program. The process includes a thorough review by the program fiscal staff, program fiscal manager, and program manager to ensure any non-allowed costs are identified and are not reimbursed. The Immunization Program requested the return of the \$1,140 in unallowable costs previously reimbursed; these funds were received in April, 2009.

**Finding 08-5:**

Program: Department of Health and Human Services, Health Division  
HIV Care Formula Grants, CFDA 93.917:

Finding Summary: As noted in the OMB Circular A-133 Compliance Supplement, the State is responsible to ensure funds expended for women, youth, infants, and children with HIV disease are not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS.

During our audit, we examined the report prepared by State personnel to support this earmarking requirement. The report included reimbursed expenditures to subrecipients categorized by the various populations involved (women, youth, infants or children). Based on the total percentage of women, infants, children and youth with AIDS to the general population, the State was required to expend, in total, at least 17.51 percent of the funds to serve the women, infant, children and youth population. The State expended, in total, 18.41 percent of the funds for these populations. However using the ratio of individual populations involved, the State was required to expend \$928,624 and \$301,714 for women and youth with AIDS, respectively, but only \$827,697 and \$85,943 were expended for these two elements of the populations, respectively. While it appears that the State satisfied the earmarking requirements for infants and children, the shortages of expenditures for women and youth were \$100,927 and \$215,771, respectively.

State's Response: The Ryan White Program Staff did expend 18.41% of funds in excess of the required 17.51% required by burden of disease for women, infants, children and youth (WICY) in Nevada. While every effort was made to meet each WICY earmark, the 17.51% statewide, burden of diagnosed disease, does not represent the small portion of the population that Ryan White Part B serves. There is no way to predict which category of consumers will walk in the door that are eligible for services. Many individuals that fall into the WICY category are on private insurance or simply not eligible for Ryan White services. Very few Nevada vendors serve youth as part of their mission and programmatic offerings. Staff will pursue a waiver from the Project Officer regarding meeting the statewide WICY percentages rather than all the individual categorical components.

**Finding Status:** Since the response letter dated March 13, 2009, the Ryan White Program provides the following update:  
It was determined the WICY requirement for the audit period was based on trailing indicator data from the 2006 Centers for Disease Control and Prevention (CDC) demographic count. Nevada's population has since been in flux, with increasing economic burden and emigration in the past several years.  
2007 Nevada law requires (NRS 442): mandatory maternal HIV/AIDS testing in the first and third trimesters; educating pregnant women on the testing options and benefit to the child; and requiring all hospitals to test pregnant women if there is no history of prenatal care. With this law, and antiretroviral treatments for pregnant women, babies born with HIV in Nevada have been reduced to nearly zero.  
Those on private insurance, or simply not eligible for Ryan White services, do not fall into the scope of the Ryan White Care Act system.  
While the State has made significant improvements in all demographic areas, proportional spending on infants will continue to be an area of challenge due to the aforementioned conditions.

**Finding 08-6:**

**Program:** Department of Health and Human Services, Health Division  
HIV Care Formula Grants, CFDA 93.917:

**Finding Summary:** As noted in the OMB Circular A-133 Compliance Supplement, a pass-through entity is required to use a portion of the funds awarded to establish a program to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections. The 2007 Federal year grant award to the State specifies this earmarked minimum to be \$5,784,830 for these AIDS Drug Assistance Program (ADAP) costs and requires that the actual amount expended be disclosed in the annual Financial Status Report (Form 269).

During our audit, we tested the annual Form 269 for the Federal year 2007 grant award. The amount disclosed on the report as being expended for ADAP costs was \$4,399,737, which is significantly below the requirement for this grant award. An alternate expenditure report prepared by the program personnel identified \$5,049,829 as expended for ADAP cost for the grant award, and a subsequent expenditure report for ADAP costs supported \$5,642,221 of ADAP expenditures. The two preliminary expenditure reports did not include administrative cost and some amounts classified as core medical services that may be eligible to be included in the ADAP total.

**State's Response:** Nevada spent 100% of the ADAP earmark on appropriate expenditures. The new HRSA Final Expenditure Report permitted documentation of the same expenditures in more than one category. There were not adequate instructions provided with the new federal form. The flexible approach provided by this form appears to account for the illusion that the earmark was not met. The audit problem was not with

spending the money appropriately but with the documentation, therefore, internal controls will be updated and procedures will be put in place to ensure that the ADAP earmark is clearly met.

**Finding Status:** Effective July 20, 2009, a new Management Analyst (MA) began work with the Ryan White CARE Act Program. To enhance monitoring of ADAP and ensure earmarked requirements are satisfied, the MA developed a spreadsheet tracking all grant funding for the FY 2008 and FY 2009 grant awards. This spreadsheet delineates ADAP Earmark funding, Base funding, and Rebate funding as stated in the "Program Terms" of the Notice of Grant Award and as required for the Financial Status Report. In addition, the spreadsheet delineates subcontract, grant administration awarded funding, and actual expenditures with running balances and percentages.

**Finding 08-7:**

**Program:** Department of Health and Human Services, Division of Welfare and Supportive Services  
Temporary Assistance for Needy Families (TANF), CFDA 93.558:

**Finding Summary:** The OMB Circular A-133 Compliance Supplement for the TANF program states that "If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance".

We obtained a list of case files where the TANF recipient was identified by the State's IV-D agency as being non-cooperative with the Child Support Enforcement program through means of a system-generated alert processed by the Nevada Operations of Multi-Automated Data Systems (NOMADS) during 2008. It is the State's policy to terminate, rather than reduce, benefits in such cases. However, this policy was not uniformly adhered to.

**State's Response:** The Division of Welfare and Supportive Services accepts this finding and is initiating immediate corrective action steps as noted below to ensure procedural implementation and compliance before June 30. The auditors noted that communication between the case managers and the eligibility workers was not adequate to ensure benefits were terminated for TANF recipients not cooperating with the Child Support Enforcement Program.

Effective April 1, 2009, the responsibility to close Temporary Assistance to Needy Families (TANF) when there is reported non-compliance with the Child Support Enforcement (CSE) program will be accomplished by administrative support staff working directly under the supervision of the Field Services Manager. An informational memorandum will be published to all CSE staff announcing new business protocol whereby all reports of non-compliance are communicated to both the administrative support staff and the Field Services Manager who will oversee the timeliness of action. DWSS is confident through these actions we will overcome this concern and secure full policy compliance.

**Finding Status:** The Division of Welfare and Supportive Services (DWSS) initiated immediate corrective action to ensure procedural implementation and compliance. An informational memo was published to all Child Support Enforcement (CSE) staff announcing new business protocol whereby all reports of non-compliance are communicated to both the administrative support staff and the Field Services Manager. Business procedures were modified to establish a specialized e-mail account for CSE staff's reporting of non-compliance concerns in order to ensure timely imposition of appropriate action. Staff will utilize targeted reviews, internal quality control case reviews, supervisory reviews and management evaluations to monitor policy adherence.

**Finding 08-8:**

**Program:** Office of the Controller  
Child Support Enforcement, CFDA 93.563:

**Finding Summary:** U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

The Controller's Annual CMIA Report to the U.S. Treasury is the means by which the State's interest liability to the U.S. Treasury is reported. The liability is calculated using revenues and expenditures "tagged" with a CFDA program number in the State's cash management system. As such, it is essential to ensure that the expenditures in this system agree to the Schedule of Expenditures of Federal Awards (which is compiled from internally-developed Single Audit Reporting Forms, SARFs). To accomplish this, the State Controller's office performs a reconciliation of the cash activity of each program covered under the CMIA. This reconciliation is performed to ensure each program's reported expenditures and receipts for the year (captured via the SARFs) agree with those included in the State's cash management system. Once this reconciliation is complete, the daily balances of Federal Funds on hand (by CFDA program number) are computed. These daily balances of Federal

Funds are averaged to calculate an *average* daily balance of Federal Funds for each program, which are then multiplied by a federally approved interest rate to determine the interest liability to (from) the U.S. Treasury.

During testing of the Annual CMIA report, errors were identified in the calculation of the daily balances of Federal Funds, which impacted the *average* daily balances of Federal Funds and ultimately, the calculated interest liability.

Some programs, such as Child Support Enforcement (CSE), have both State and Federal components to their expenditures, but the entire amount is coded or “tagged” with the CFDA program number in the cash management system. For example, with a \$100 expenditure, the entire \$100 will be coded to the program in the cash management system. However, the State has a match of approximately 20%; therefore, only \$80 will be drawn down and only \$80 will be recorded as a federal expenditure on the SARF. In these instances, an adjustment must be made to reduce the expenditures reflected in the cash management system by the match percentage in order for the daily balance of Federal Funds to be correct.

While testing the support for the Annual CMIA report filed for State fiscal year 2008, we noted that the adjustment to reduce the CSE expenditures by the match percentage was not made, which resulted in an understatement of the daily balance of Federal Funds for CSE. This resulted in an incorrect interest liability reported on the Annual CMIA Report.

State’s Response: The Controller’s Office acknowledges this finding and has taken the steps described below to implement the recommendation. In addition, proposed adjustments for any overstatements or understatements of State interest liability will be included on the Fiscal 2009 Annual Report of Interest Liability.

The Controller’s Office has enhanced written procedures for interest liability calculation to include detail sufficient to ensure the accuracy of the calculations. In this revision, the Controller’s Office also plans to phase into its interest calculation procedure the provision that the revenue and expenditures reported on Single Audit Reporting Forms (SARFs), and consequently, the Schedule of Expenditures of Federal Awards, of all major programs under the Treasury-State Agreement reconcile at the agency level to the accounting records from which interest liability is calculated. Full implementation of this provision will allow for a single method to be used in calculating interest liabilities of each major program for which calculations are currently made, eliminating errors resulting in understatement or overstatement of interest liability.

Finding Status: The Controller’s Office has completed comprehensive written procedures for calculation of State interest liability to the U.S. Treasury. These procedures are in accordance with those listed in the Treasury-State agreement and are written in sufficient detail to ensure that mistakes in calculation will not occur. Amendments

will be included on the CMIA report due December 31, 2009, to address any errors in the report submitted for the State's fiscal year ended 6/30/2008.

**Finding 08-9:**

Program: Department of Employment, Training and Rehabilitation  
Unemployment Insurance, CFDA 17.225

Finding Summary: As noted in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*, costs charged to the Federal program must be adequately documented in order to determine the allowability of costs.

As part of our testing over allowable costs/cost principles, we tested a sample of transactions for conformance with the criteria contained in the "Basic Guidelines" section of OMB Circular A-87. For one of the transactions selected to test, no supporting documentation was available.

State's Response: The Department of Employment, Training and Rehabilitation (DETR) acknowledges this finding and will be taking the steps described below to implement the recommendation. As a result of DETR not being able to produce supporting documentation for one of the selected test transactions, the auditors noted that DETR did not follow the policies and procedures in place to ensure that amounts charged to the Federal program were adequately supported and the documentation was retained.

DETR will reiterate to staff our filing and retention policies for all payments made by DETR. We will also reinforce our policy of identifying any payment removed from the files for review, research or other purpose by replacing the file or document with a file placeholder identifying the removed file, user and date. This placeholder will remain until the original file or documents are returned.

Finding Status: All necessary corrective action has been taken to address finding 08-9.

**Finding 08-10:**

Program: Department of Health and Human Services, Division of Health Care Financing and Policy  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775;  
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777;  
Medical Assistance Program, CFDA 93.778:

Finding Summary: OMB Circular A-133 requires that providers of medical services furnishing services must be licensed in accordance with federal, state and local laws and regulations in order to participate in the Medicaid program and receive Medicaid payments (45

CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act).

The State of Nevada has contracted with First Health Services Corporation to provide for the administration of Medicaid providers, including determining that the providers are licensed in accordance with federal, state and local laws and regulations. We selected a sample of providers who had received payments under the Medicaid program and requested copies of the providers' licenses for review. First Health Services Corporation did not have copies of the licenses on file for all of the providers selected for testing.

**State's Response:** The Division of Health Care Financing and Policy (DHCFP) acknowledges this finding and has taken steps to implement the recommendation. DHCFP will be developing and implementing a process whereby on a monthly basis, a sample of provider enrollment records will be reviewed to ensure the applicable licensing documentation is collected which supports the provider's Medicaid enrollment.

**Finding Status:** On August 18, 2009, DHCFP implemented a process whereby on a monthly basis, a sample of provider enrollment records are reviewed to ensure the applicable licensing documentation is collected which supports the provider's Medicaid enrollment.

**Finding 08-11:**

**Program:** Department of Health and Human Services, Division of Health Care Financing and Policy  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775;  
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777;  
Medical Assistance Program, CFDA 93.778:

**Finding Summary:** OMB Circular A-133 requires that reports of Federal awards submitted to the Federal awarding agency include all activity of the reporting period, are supported by underlying accounting or performance records, and are presented in accordance with program requirements.

The State of Nevada, Department of Health and Human Services, Division of Health Care Financing and Policy, prepares the CMS-64 report on a quarterly basis for submission to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. During the testing of one of the CMS-64 reports submitted during 2008, we determined that the report contained an incorrect amount, which resulted in an overstatement of Federal expenditures for that quarter in the amount of \$124,562.

State's Response: The Division of Health Care Financing and Policy (DHCFP) acknowledges this finding and has taken steps to implement the recommendation. The auditors noted that DHCFP review policies related to preparation of the CMS-64 report needed to be enhanced to ensure the expenditures reported supported the underlying accounting records. DHCFP prepared the December 07 quarter CMS-64 and overstated Federal expenditures for that quarter in the amount of \$124,562 in the working papers that support the report. The December 08 quarter, CMS-64 report corrected the overstated Federal expenditures and the underlying accounting records were corrected.

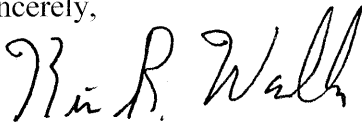
DHCFP has completed and implemented thorough written procedures for the review process of the CMS-64 to ensure that the expenditures reported are accurately supported by the underlying accounting records.

Finding Status: As of June 2008, DHCFP developed and implemented a review process of the CMS-64 to ensure that the expenditures reported are accurately supported by the underlying accounting records.

Based on the *Summary Schedule of Prior Audit Findings*, the status of the findings at June 30, 2009 is as follows:

- Finding Number
- 07-3 – Not Corrected
  - 07-5 – Partially Corrected
  - 07-8 – Not Corrected
  - 08-1 – Not Corrected
  - 08-2 – Partially Corrected
  - 08-3 – Not Corrected
  - 08-4 – Corrected
  - 08-5 – Not Corrected
  - 08-6 – Corrected
  - 08-7 – Not Corrected
  - 08-8 – Corrected
  - 08-9 – Corrected
  - 08-10 – Corrected
  - 08-11 – Corrected

Sincerely,



Kim R. Wallin, CMA, CFM, CPA  
Nevada State Controller