

STATE OF NEVADA

**Single Audit Report
For the Year Ended
June 30, 2006**

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Net Assets - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds.....	27
Statement of Fiduciary Net Assets - Fiduciary Funds	29
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	30
Notes to Financial Statements.....	31
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds.....	66
Notes to Required Supplementary Information - Budgetary Reporting	68
Schedule of Funding Progress – Pension Plans	69
Schedule of Infrastructure Condition and Maintenance Data.....	70
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	73
Schedule of Expenditures of Federal Awards	75
Notes to the Schedule of Expenditures of Federal Awards	107
Schedule of Findings and Questioned Costs	108
Summary Schedule of Prior Audit Findings.....	158



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

Independent Auditor's Report

The Honorable 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, 2006, which collectively comprise the State'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 41.6 percent of the assets, 13.7 percent of the net assets and 9.4 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 in the aggregate represent less than one percent of the assets, net assets and fund balances, and 6.8 percent of the revenues and additions of the aggregate remaining fund information;
- the financial statements of the Public Employees' Retirement and the Legislators' Retirement Pension Trust Funds, which in the aggregate represent 87.6 percent of the assets, 92.5 percent of the net assets and fund balances, and 54.7 percent of the revenues and additions 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 Self Insurance and Insurance Premiums Internal Service Funds and the Public Employees' Retirement and the Legislators' Retirement Pension Trust Funds 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, 2006, 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 December 15, 2006 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 66 through 70, 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 107, 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

December 15, 2006, except for the information contained
on pages 73 through 174, as to which the date is February 16, 2007

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, 2006. 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, 2006 by \$5.779 billion (reported as *net assets*). Of the \$5.779 billion in net assets, \$1.819 million was restricted and not available to meet the State's general obligations.

Changes in Net Assets – The State's total net assets increased by \$585.3 million in fiscal year 2006. Net assets of governmental activities increased by \$401.1 million (a 9.5% increase) and net assets of the business-type activities increased by \$184.2 million (a 19% increase).

Fund-level:

At the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$2.6 billion, a decrease of \$6.6 million from the prior year. Of this amount, \$1.6 billion represents the *unreserved fund balance*.

The State's enterprise funds reported combined ending net assets of \$1.2 billion, an increase of \$184.3 million from the prior year, attributable primarily to the Unemployment Compensation fund. Of this amount, \$6.3 million represents the *unrestricted net assets*.

The State's fiduciary funds reported combined ending net assets of \$20.5 billion, an increase of \$2 billion from the prior year, attributable primarily to the Pension Trust Funds.

Long-term Debt (government-wide):

The net decrease in the State's long-term debt obligations was \$160 million (a 4.1% decrease) 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 or 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, 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, 2006 and 2005 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

State of Nevada's Net Assets-Primary Government (expressed in thousands)							
	Governmental Activities		Business-type Activities		Total		Total Change
	2006	2005	2006	2005	2006	2005	2006-2005
Assets							
Current and other assets	\$ 5,467,473	\$ 5,292,817	\$ 2,205,939	\$ 2,141,031	\$ 7,673,412	\$ 7,433,848	\$ 239,564
Net capital assets	4,669,812	4,340,101	2,824	2,906	4,672,636	4,343,007	329,629
Total assets	10,137,285	9,632,918	2,208,763	2,143,937	12,346,048	11,776,855	569,193
Liabilities							
Current liabilities	2,654,510	2,509,838	80,179	97,206	2,734,689	2,607,044	127,645
Long-term liabilities	2,856,639	2,898,006	976,084	1,078,460	3,832,723	3,976,466	(143,743)
Total liabilities	5,511,149	5,407,844	1,056,263	1,175,666	6,567,412	6,583,510	(16,098)
Net Assets							
Invested in capital assets, net							
of related debt	3,445,629	3,257,469	2,824	2,906	3,448,453	3,260,375	188,078
Restricted	675,966	663,901	1,143,248	956,895	1,819,214	1,620,796	198,418
Unrestricted (deficit)	504,541	303,704	6,428	8,470	510,969	312,174	198,795
Total net assets	\$ 4,626,136	\$ 4,225,074	\$ 1,152,500	\$ 968,271	\$ 5,778,636	\$ 5,193,345	\$ 585,291

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 \$5.779 billion at the end of 2006, compared with \$5.193 billion at the end of the previous year.

The largest portion of the State's net assets (\$3.45 billion or 59%) 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 (\$1.819 billion or 31%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported unrestricted net assets of \$511 million as compared to \$312 million in the prior year. This was primarily due to higher revenues in the form of gaming taxes, sales and use taxes, and unemployment taxes caused by an improved state economy. At the end of the current fiscal year, the State is able to report positive balances in all 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.

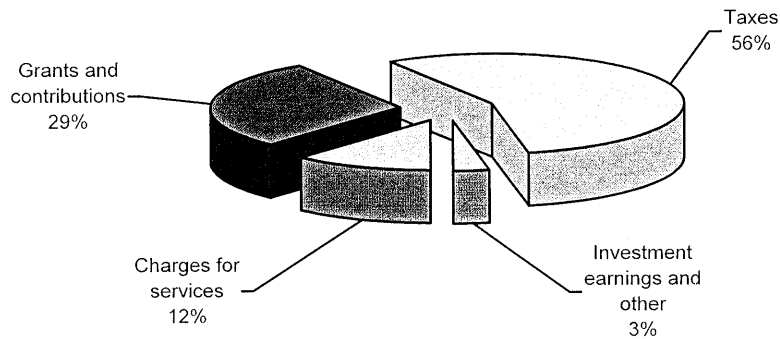
Changes in State of Nevada's Net Assets-Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Change
	2006	2005	2006	2005	2006	2005	2006-2005
Revenues							
Program revenues							
Charges for services	\$ 769,156	\$ 737,725	\$ 89,793	\$ 96,357	\$ 858,949	\$ 834,082	\$ 24,867
Operating grants and contributions	1,848,091	1,829,252	111,598	83,672	1,959,689	1,912,924	46,765
Capital grants and contributions	27,080	7,795	-	-	27,080	7,795	19,285
General revenues							
Sales and use taxes	1,097,939	999,623	-	-	1,097,939	999,623	98,316
Gaming taxes	1,003,111	900,261	-	-	1,003,111	900,261	102,850
Modified business taxes	255,252	226,924	-	-	255,252	226,924	28,328
Insurance premium taxes	238,297	215,353	-	-	238,297	215,353	22,944
Property and transfer taxes	318,941	287,410	-	-	318,941	287,410	31,531
Motor and special fuel taxes	297,383	281,726	-	-	297,383	281,726	15,657
Other taxes	398,460	362,797	365,598	320,622	764,058	683,419	80,639
Investment earnings	87,729	25,238	-	-	87,729	25,238	62,491
Other	86,371	162,869	-	-	86,371	162,869	(76,498)
Total Revenues	6,427,810	6,036,973	566,989	500,651	6,994,799	6,537,624	457,175
Expenses							
General government	349,224	275,073	-	-	349,224	275,073	74,151
Health and social services	2,198,551	2,082,308	-	-	2,198,551	2,082,308	116,243
Education and support services	1,830,236	1,747,591	-	-	1,830,236	1,747,591	82,645
Law, justice and public safety	578,049	535,372	-	-	578,049	535,372	42,677
Regulation of business	101,857	92,240	-	-	101,857	92,240	9,617
Transportation	508,569	665,314	-	-	508,569	665,314	(156,745)
Recreation and resource development	156,933	157,876	-	-	156,933	157,876	(943)
Interest on long-term debt	132,969	141,154	-	-	132,969	141,154	(8,185)
Unallocated depreciation	1,513	1,441	-	-	1,513	1,441	72
Unemployment insurance	-	-	239,232	238,386	239,232	238,386	846
Housing	-	-	45,397	53,011	45,397	53,011	(7,614)
Water loans	-	-	8,226	7,710	8,226	7,710	516
Workers' compensation and safety	-	-	23,991	21,004	23,991	21,004	2,987
Higher education	-	-	18,940	11,496	18,940	11,496	7,444
Other	-	-	15,601	14,706	15,601	14,706	895
Total Expenses	5,857,901	5,698,369	351,387	346,313	6,209,288	6,044,682	164,606
Excess (deficiency) in net assets before contributions to permanent funds, special items, and transfers	569,909	338,604	215,602	154,338	785,511	492,942	292,569
Contributions to permanent fund	76,553	44,598	-	-	76,553	44,598	31,955
Special item - one-time tax rebate	(276,773)	-	-	-	(276,773)	-	(276,773)
Transfers	31,373	17,620	(31,373)	(17,620)	-	-	-
Change in net assets	401,062	400,822	184,229	136,718	585,291	537,540	47,751
Net assets - beginning of year	4,225,074	3,824,252	968,271	833,351	5,193,345	4,657,603	535,742
Change in accounting principle	-	-	-	(1,798)	-	(1,798)	1,798
Net assets - beginning of year (restated)	4,225,074	3,824,252	968,271	831,553	5,193,345	4,655,805	537,540
Net assets - end of year	\$4,626,136	\$ 4,225,074	\$1,152,500	\$968,271	\$5,778,636	\$5,193,345	\$ 585,291

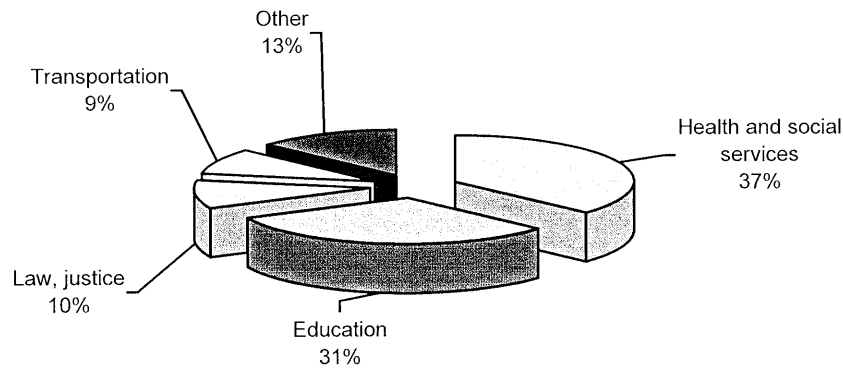
Changes in Net Assets:

Governmental activities –The net assets increased by \$401.1 million or 9.5%. Approximately 56% of the total revenue came from taxes, while 29% 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 (37%) and education (31%) (see chart below). In 2006, governmental activities expenses exceeded program revenues, resulting in the use of \$3.2 billion in general revenues, which were generated to support the government.

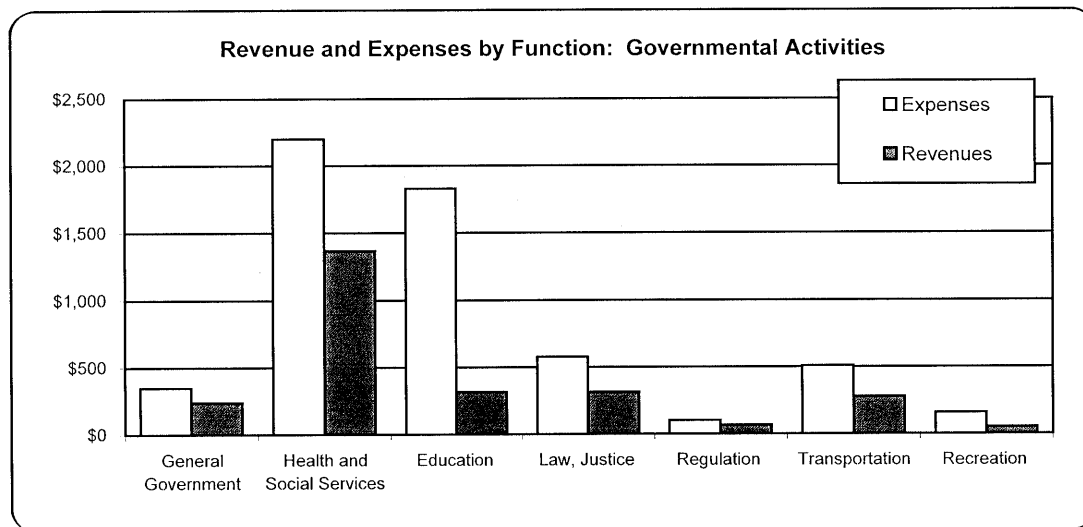
The following chart depicts the governmental activities revenues for the fiscal year:



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

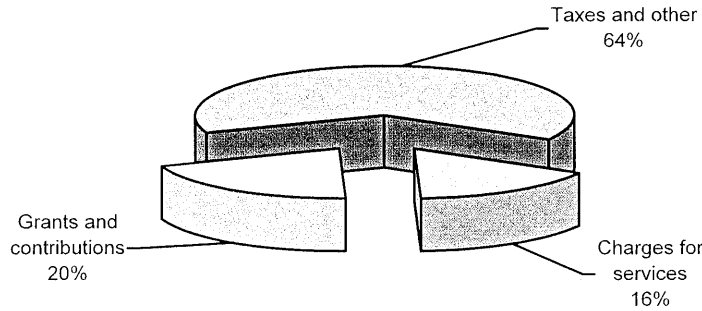


The following chart depicts the total program revenues and expenses for each function of governmental activities (expressed in millions):

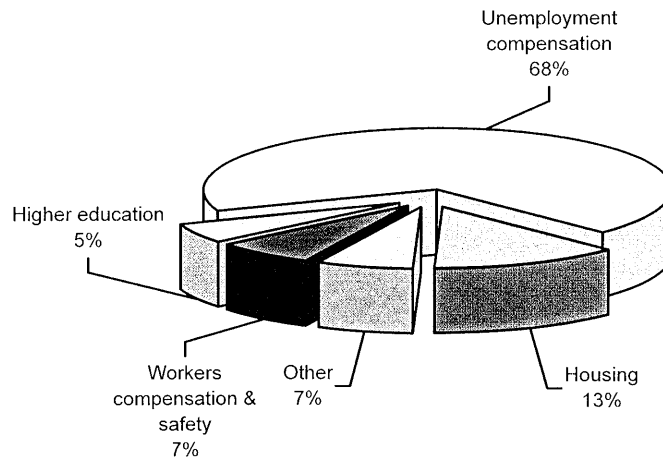


Business-type activities –The net assets increased by \$184.2 million or 19%. Approximately 64% of the total revenue came from taxes and other sources, while 20% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 16% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (68%) and housing (13%) (see chart below). In 2006, business-type activities expenses exceeded program revenues, resulting in the use of \$206 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

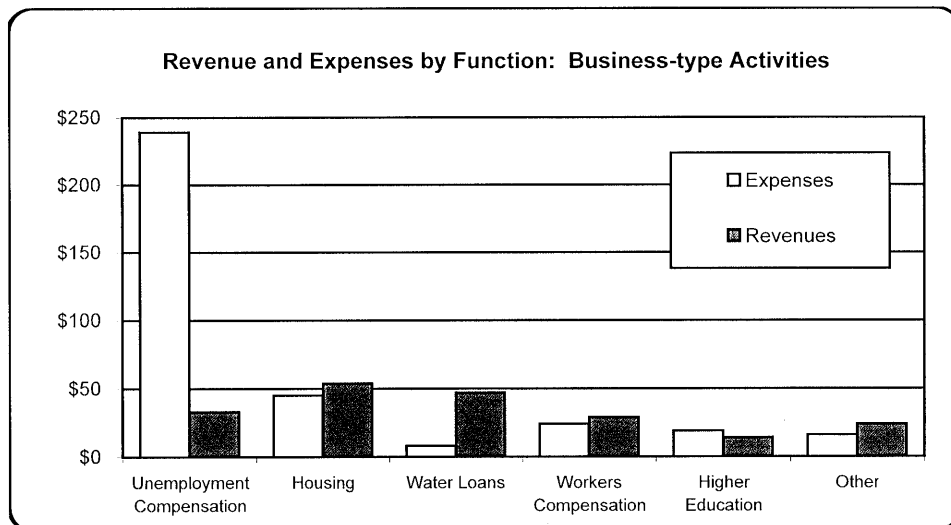
The following chart depicts the business-type activities revenues for the fiscal year:



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 improved over the past fiscal year, with a \$401.1 million increase in the net assets of the governmental activities caused primarily by increased tax revenues due to the strengthening of the economy and a \$184.2 million dollar increase in the net assets of the business-type activities, caused primarily by the increase in operating revenues in the Unemployment Compensation Fund. The economic information presented in the letter of transmittal provides insight into the conditions of the State that have caused this to occur.

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 \$2.6 billion, a decrease of \$6.6 million in comparison with the prior year. Approximately 60.1% 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 \$521 million. The fund balance decreased by \$19 million during the current fiscal year, which is a 3.4% decrease from the prior year. This decrease was primarily due to \$277 million in payments of the Governor's one-time vehicle registration rebate to the citizens of Nevada. The rebate was authorized by the 2005 Nevada Legislature to return \$300 million in surplus state tax revenue. The State began issuing rebate checks in October 2005.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2006 and 2005 (expressed in thousands). Other financing sources are not included.

General Fund Revenues (expressed in thousands)						
	2006		2005		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 987,672	19.5%	\$ 884,820	18.9%	\$ 102,852	11.6%
Sales taxes	1,099,483	21.7%	993,325	21.2%	106,158	10.7%
Modified business taxes	255,252	5.0%	226,924	4.8%	28,328	12.5%
Insurance premium taxes	238,296	4.7%	215,353	4.6%	22,943	10.7%
Property and transfer taxes	164,842	3.3%	148,731	3.2%	16,111	10.8%
Motor and special fuel taxes	3,035	0.1%	3,085	0.1%	(50)	-1.6%
Intergovernmental	1,638,003	32.4%	1,622,223	34.6%	15,780	1.0%
Other taxes	288,309	5.7%	283,067	6.0%	5,242	1.9%
Licenses, fees and permits	214,404	4.2%	181,542	3.9%	32,862	18.1%
Sales and charges for services	48,322	1.0%	51,349	1.1%	(3,027)	-5.9%
Interest and investment income	70,409	1.4%	30,365	0.6%	40,044	131.9%
Other revenues	49,685	1.0%	45,114	1.0%	4,571	10.1%
Total revenues	\$ 5,057,712	100.0%	\$ 4,685,898	100.0%	\$ 371,814	7.9%

The total General Fund revenues increased 7.9%. The largest increase in revenue source was \$106.2 million or 10.7% in sales taxes and \$102.9 million or 11.6% in gaming taxes, fees and licenses. The increases in both sales taxes and gaming revenues are due to Nevada's growing economy and the increased number of visitors. The 131.9% increase in interest and investment income was due primarily to increases in interest rates for short-term investments.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2006 and 2005 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures (expressed in thousands)						
	2006		2005		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 122,521	2.6%	\$ 100,845	2.3%	\$ 21,676	21.5%
Health and social services	1,983,340	42.3%	1,940,195	44.3%	43,145	2.2%
Education and support services	38,201	0.8%	26,839	0.6%	11,362	42.3%
Law, justice and public safety	374,538	8.0%	327,410	7.5%	47,128	14.4%
Regulation of business	74,784	1.6%	70,067	1.6%	4,717	6.7%
Recreation, resource development	110,244	2.4%	100,016	2.3%	10,228	10.2%
Intergovernmental	1,984,536	42.3%	1,814,333	41.4%	170,203	9.4%
Debt service	808	0.0%	1,143	0.0%	(335)	-29.3%
Total expenditures	\$ 4,688,972	100.0%	\$ 4,380,848	100.0%	\$ 308,124	7.0%

The total General Fund expenditures increased 7%. Intergovernmental expenditures increased over \$170 million or 9.4% primarily due to intergovernmental expenditures for education and support services; expenditures for law, justice and public safety increased over \$47 million or 14.4%.

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 increased \$46.5 million during the current fiscal year, which is a 15.6% increase from the prior year. This increase is primarily due to increased use of federal funds, increased licenses, fees and permits revenue. The unreserved fund balance is \$9.3 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 \$184 million during the current fiscal year, which is an 18% decrease from the prior year. This decrease was primarily due to additional principal payments made for full optional redemption of bonds.

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 \$30.8 million during the current fiscal year, which is a 40.2% increase from the prior year. The increase was due primarily to the increase in property and transfer taxes, as a result of higher assessed property values.

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 increased by \$86.4 million during the current fiscal year, which is 55.5% increase from the prior year. This increase was primarily due to transfers of \$37 million and \$49.3 million to the “Rainy Day” fund. The first transfer was an appropriation from the General Fund per Senate Bill 95 and the second transfer was based on the annual deposit of state revenue calculation bringing the fund balance to \$242 million.

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 97% of the total combined net assets of all enterprise funds. Combined net assets of enterprise funds increased by \$184.3 million in 2006. 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 \$8.1 million or 5.4% during the current fiscal year and the results of operations were up 4.7% from last year.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net assets increased by \$146.7 million during the current fiscal year, which is a 23.4% increase from the prior year. The economy continues to improve, increasing the number of employers in the state. This increase in employers, as well as rate increases, resulted in a 14% increase in operating revenues 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 \$38.2 million during the current fiscal year, for a final fund balance of \$188.8 million.

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 2006, total internal service fund net assets increased by \$13.1 million, for a final net asset balance of \$57.3 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 gain of \$20 million for the year as compared to a net gain of \$23.4 million in prior year, with final net assets of \$74.9 million. This year's gain was less than the prior year gain due to a 5.3% increase in premium income versus an 8.3% increase in total operating expenses.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit increased by \$6.8 million or 21.2% during fiscal year 2006, to a total deficit of \$39.2 million. This year's deficit was caused by a 7% decrease in premium income and a 74% increase in operating expense. The increase in operating expense was related to an arbitration finalized in June 2006. Nevada Revised Statute 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 \$224 million or 3.4% 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 \$271 million. A significant difference was due to the original budget consisting 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: \$74 million in public safety for federal homeland security and disaster relief; \$58 million in health services for Medicaid and welfare costs; \$37 million in education for federal grants for the reading first, special education and school lunch programs; \$4 million for healthcare subsidies to retired school district employees; \$5 million to University of Nevada, Reno for Nevada Cancer Institute and Center of Excellence; \$10 million for economic development and low income housing; and \$15 million for wildlife and conservation efforts.

Capital Assets and Debt Administration

Capital Assets:

The State's capital assets for its governmental and business-type activities as of June 30, 2006, amount to \$5.4 billion, net of accumulated depreciation of \$685 million, leaving a net book value of \$4.7 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 expenses 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. Based on the 2005 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 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%
Actual results of 2001 condition assessment	83%	77%	86%	65%	19%

Condition Level of the Bridges
Percentage of substandard bridges

	2005	2003	2001
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	3%	5%	6%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2006 by \$11.7 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 2006 (expressed in millions):

	Expended by June 30, 2006	Total Budget
Unified Tax System	\$ 25.1	\$ 40.5
High Desert Prison, Phase IV, Indian Springs	2.0	40.3
150-Bed Psychiatric Hospital, Las Vegas	31.9	32.2
Las Vegas Readiness Center	11.2	27.2
Fish Hatcheries Refurbishment	16.5	23.2
Conservation and Natural Resources Building, Carson City	20.7	21.3
Casa Grande Prison, Las Vegas	20.7	20.9
DETR New Office Building, Las Vegas	16.5	18.4

The total increase in the State's capital assets for the primary government for the current fiscal year was \$485.3 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$69.7 million.

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

This page intentionally left blank

Debt Administration:

As of year-end, the State had \$3.725 billion in long-term debt outstanding, compared to \$3.885 billion last year, a decrease of \$160.4 million or 4.1% during the current fiscal year. This decrease was due to the extinguishment of special obligation bonds in the Housing Division as well as a decrease in Municipal Bond Bank general obligation bonds.

The most current bond ratings from Fitch, Standard and Poor's and Moody's Investor Service were AA+, AA+ and Aa1, respectively. These ratings reflect a good economic base and 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 2006 fiscal year were (expressed in thousands):

General Obligation Capital Improvement, Parks and Cultural Affairs	09/14/2005J	\$	36,000
General Obligation Natural Resources	09/14/2005K		7,000
General Obligation Open Space, Parks and Natural Resources	09/14/2005L		2,000
Water Pollution Control Revolving Fund Matching	09/14/2005M		1,960
Special Obligation Highway Improvement Revenue	11/9/2005		191,445
Housing Multi-unit Southwest Village	12/21/2005		19,000

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.

Statement of Net Assets



June 30, 2006 (Expressed in Thousands)

	Primary Government		Component Units	
	Governmental Activities	Business-Type Activities	Colorado River Commission	Nevada System of Higher Education
Assets				
Cash and pooled investments	\$ 1,929,350	\$ 749,632	\$ 18,115	\$ 196,707
Investments	1,100,972	435,466	-	656,402
Collateral on loaned securities	1,085,280	42,682	13,074	-
Internal balances	3,612	(3,612)	-	-
Due from the state	-	-	372	56,830
Accounts receivable	73,639	3,482	20,031	180,757
Taxes/assessments receivable	803,833	121,938	-	-
Intergovernmental receivables	415,426	993	-	37,621
Accrued interest and dividends	26,712	7,012	129	-
Contracts receivable	-	20,160	-	-
Mortgages receivable	-	589,240	-	-
Notes/loans receivable	801	103,458	-	10,749
Other receivables	23	-	-	46,750
Inventory	6,083	1,451	-	6,171
Prepaid expenses	1,661	31	41,179	-
Deferred charges	20,081	2,802	-	-
Restricted assets:				
Cash	-	-	8,004	35,690
Investments	-	125,884	-	149,680
Other assets	-	5,320	-	22,450
Capital assets:				
Land, infrastructure and construction in progress	3,722,433	568	-	205,525
Other capital assets, net	947,379	2,256	64,770	1,131,335
Total assets	10,137,285	2,208,763	165,674	2,736,667
Liabilities				
Accounts payable	754,832	20,391	16,081	29,082
Accrued payroll and related liabilities	40,617	637	-	24,917
Intergovernmental payables	122,229	8	-	7,692
Interest payable	32,228	9,530	1,575	10,475
Due to component units	57,159	43	-	-
Contracts/retentions payable	59,646	-	-	-
Obligations under securities lending	1,085,280	42,682	13,074	-
Unearned revenues	383,549	6,874	296	34,184
Reserve for losses	65,459	-	-	-
Other liabilities	53,511	14	7,530	18,743

Long-term liabilities:					
<i>Portion due or payable within one year:</i>					
Obligations under capital leases	2,387	-	2,387	-	2,832
Compensated absences	60,596	1,005	61,601	235	27,401
Benefits payable	-	4,400	4,400	-	-
Bonds payable	154,189	15,777	169,966	1,498	14,367
Certificates of participation payable	985	-	985	-	-
<i>Portion due or payable after one year:</i>					
Obligations under capital leases	7,479	-	7,479	-	12,742
Compensated absences	31,458	559	32,017	47	11,857
Benefits payable	-	103,558	103,558	-	-
Bonds payable	2,544,850	850,785	3,395,635	108,853	476,006
Certificates of participation payable	54,695	-	54,695	-	-
Total liabilities	5,511,149	1,056,263	6,567,412	149,189	670,298
Net Assets					
Invested in capital assets, net of related debt	3,445,629	2,824	3,448,453	118	1,015,389
Restricted for:					
Unemployment compensation	-	773,694	773,694	-	-
Security of outstanding obligations	-	154,875	154,875	-	-
Workers' compensation	-	25,705	25,705	-	-
Capital projects	4,191	-	4,191	-	239,986
Debt service	26,234	-	26,234	-	11,910
Education and support services	98,618	-	98,618	-	-
Transportation	215,438	-	215,438	-	-
Recreation and resource development	24,070	188,762	212,832	-	-
Law, justice and public safety	4,852	-	4,852	-	-
Health and social services	26,516	-	26,516	-	-
Regulation of business	12,108	212	12,320	-	-
Municipal securities	28	-	28	-	-
Scholarships	-	-	-	-	277,512
Loans	-	-	-	716	5,457
Operations and maintenance	-	-	-	-	-
Funds held as permanent investments:					
Nonexpendable	263,890	-	263,890	-	194,937
Expendable	21	-	21	-	-
Unrestricted	504,541	6,428	510,969	15,651	321,178
Total net assets	\$ 4,626,136	\$ 1,152,500	\$ 5,778,636	\$ 16,485	\$ 2,066,369

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

Statement of Activities

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Colorado River Commission	Nevada System of Higher Education
					Governmental Activities	Business-type Activities	Total		
Primary Government									
Governmental activities:									
General government	\$ 349,224	\$ 226,191	\$ 15,435	\$ -	\$ (107,598)	\$ -	\$ (107,598)	\$ -	\$ -
Health and social services	2,198,551	138,675	1,230,391	-	(829,485)	-	(829,485)	-	-
Education and support services	1,830,236	3,064	314,837	-	(1,512,335)	-	(1,512,335)	-	-
Law, justice and public safety	578,049	242,262	51,223	23,116	(261,448)	-	(261,448)	-	-
Regulation of business	101,857	59,887	6,872	-	(35,098)	-	(35,098)	-	-
Transportation	508,569	54,013	223,045	2,901	(228,610)	-	(228,610)	-	-
Recreation and resource development	156,933	45,064	6,288	1,063	(104,518)	-	(104,518)	-	-
Interest on long-term debt	132,969	-	-	-	(132,969)	-	(132,969)	-	-
Unallocated depreciation	1,513	-	-	-	(1,513)	-	(1,513)	-	-
Total governmental activities	5,857,901	769,156	1,848,091	27,080	(3,213,574)	-	(3,213,574)	-	-
Business-type activities:									
Unemployment insurance	239,232	-	33,095	-	-	(206,137)	(206,137)	-	-
Housing	45,397	33,589	19,919	-	-	8,111	8,111	-	-
Water loans	8,226	6,484	40,605	-	-	38,863	38,863	-	-
Workers' compensation and safety	23,991	25,593	3,776	-	-	5,378	5,378	-	-
Higher education	18,940	92	13,978	-	-	(4,870)	(4,870)	-	-
Other	15,601	24,035	225	-	-	8,659	8,659	-	-
Total business-type activities	351,387	89,793	111,598	-	-	(149,996)	(149,996)	-	-
Total primary government	\$ 6,209,288	\$ 858,949	\$ 1,959,689	\$ 27,080	(3,213,574)	(149,996)	(3,363,570)	-	-
Component Units									
Colorado River Commission	\$ 124,557	\$ 123,580	\$ -	\$ -	-	-	-	(977)	-
Nevada System of Higher Education	1,299,218	407,650	366,857	10,672	-	-	-	-	(514,039)
Total component units	\$ 1,423,775	\$ 531,230	\$ 366,857	\$ 10,672	-	-	-	(977)	(514,039)

General revenues:						
Taxes:						
Gaming	965,535	-	-	965,535	-	-
Sales and use	1,003,510	-	-	1,003,510	-	-
Modified business	255,252	-	-	255,252	-	-
Insurance premium	238,297	-	-	238,297	-	-
Property and transfer	164,841	-	-	164,841	-	-
Motor and special fuel	3,035	-	-	3,035	-	-
Other	274,157	-	-	274,157	-	-
Restricted for unemployment compensation:						
Other taxes	-	365,598	-	365,598	-	-
Restricted for educational purposes:						
Sales and use taxes	94,429	-	-	94,429	-	-
Gaming taxes	36,757	-	-	36,757	-	-
Restricted for debt service purposes:						
Property and transfer taxes	135,067	-	-	135,067	-	-
Motor and special fuel taxes	61,149	-	-	61,149	-	-
Other	52,395	-	-	52,395	-	-
Restricted for recreation and resource development purposes:						
Other taxes	18,593	-	-	18,593	-	-
Restricted for health and social services purposes:						
Gaming taxes	819	-	-	819	-	-
Property and transfer taxes	19,033	-	-	19,033	-	-
Other taxes	28,799	-	-	28,799	-	-
Restricted for transportation purposes:						
Motor and special fuel taxes	233,199	-	-	233,199	-	-
Other taxes	20,103	-	-	20,103	-	-
Restricted for regulation purposes:						
Other taxes	4,413	-	-	4,413	-	-
Tobacco settlement income	32,345	-	-	32,345	-	-
Unrestricted investment earnings	87,729	-	1,412	87,729	1,412	69,292
Land sales	-	-	-	-	-	20,263
Gain on sale of assets	119	-	-	119	-	-
Other general revenues	53,907	-	591	53,907	591	8,701
Contributions to permanent funds	76,553	-	-	76,553	-	10,539
Payments from State of Nevada	-	-	-	-	-	705,594
Special item - one-time tax rebate	(276,773)	-	-	(276,773)	-	-
Transfers	31,373	(31,373)	-	-	-	-
Total general revenues, special items, and transfers	3,614,636	334,225	-	3,948,861	2,003	814,389
Change in net assets	401,062	184,229	-	585,291	1,026	300,350
Net assets - beginning	4,225,074	968,271	-	5,193,345	15,459	1,766,019
Net assets - ending	\$ 4,626,136	\$ 1,152,500	\$	\$ 5,778,636	\$ 16,485	\$ 2,066,369

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

Balance Sheet Governmental Funds

June 30, 2006

	General Fund	State Highway	Municipal Bond Bank
Assets			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 736,333,488	\$ 359,165,321	\$ 382,888
Cash in custody of other officials	3,420,874	176,147	-
Investments	19,095,936	-	831,255,000
Collateral on loaned securities	642,832,022	207,603,872	7,479,216
<i>Receivables:</i>			
Accounts receivable	48,215,483	3,257,338	-
Taxes receivable	757,442,673	40,345,146	-
Intergovernmental receivables	193,677,853	43,833,014	-
Accrued interest and dividends	17,016,801	-	7,440,932
Notes/loans receivable	614,825	-	-
Other receivables	22,587	-	-
Due from other funds	27,986,957	9,932,296	51,163
Due from fiduciary funds	235,269	-	-
Due from component units	14,097,844	-	-
Inventory	-	4,445,723	-
Advances to other funds	13,008,746	6,646	-
Prepaid items	921,570	5,210	-
Total assets	\$ 2,474,922,928	\$ 668,770,713	\$ 846,609,199
Liabilities and Fund Balances			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 236,014,956	\$ 27,271,490	\$ -
Accrued payroll and related liabilities	26,270,804	10,984,402	-
Intergovernmental payables	111,752,861	7,283,101	-
Interest payable	-	-	-
Contracts/retentions payable	302,630	30,122,063	-
Obligations under securities lending	642,832,022	207,603,872	7,479,216
Due to other funds	98,682,395	3,510,371	406,339
Due to fiduciary funds	461,253,884	2,367,222	-
Due to component units	12,602,649	352,072	-
Advances from General Fund	-	-	-
Deferred revenues	334,197,340	12,447,902	7,443,303
Bonds payable	-	-	-
Other liabilities	29,517,722	23,355,551	-
Total liabilities	1,953,427,263	325,298,046	15,328,858
Fund balances:			
<i>Reserved:</i>			
Encumbrances and contracts	20,790,529	329,720,517	-
Inventories	-	4,445,723	-
Advances	13,008,746	6,646	-
Funds held as permanent investments	-	-	-
Fiscal emergency	-	-	-
Debt service	-	-	-
Other	1,536,394	5,210	-
Unreserved, designated for balances forward	303,482,381	-	-
Unreserved, designated for approved capital projects	6,707,109	842,266	-
<i>Unreserved, designated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Unreserved, undesignated	175,970,506	8,452,305	831,280,341
<i>Unreserved, undesignated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Permanent funds	-	-	-
Total fund balances	521,495,665	343,472,667	831,280,341
Total liabilities and fund balances	\$ 2,474,922,928	\$ 668,770,713	\$ 846,609,199

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

<u>Consolidated Bond Interest and Redemption</u>	<u>Stabilize the Operations of State Government</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 112,359,114	\$ 194,645,423	\$ 393,309,613	\$ 1,796,195,847
4,925,678	-	209,748	8,732,447
-	-	250,620,882	1,100,971,818
76,769,660	5,209,159	94,963,452	1,034,857,381
-	-	20,027,796	71,500,617
-	-	6,046,324	803,834,143
161,915,768	-	7,693,465	407,120,100
-	-	2,253,907	26,711,640
-	-	37,146	651,971
-	-	509	23,096
3,547,686	49,920,221	34,288,392	125,726,715
-	-	580,346	815,615
7,285,000	-	237,447	21,620,291
-	-	1,066,867	5,512,590
2,108,912	-	-	15,124,304
-	-	74,553	1,001,333
<u>\$ 368,911,818</u>	<u>\$ 249,774,803</u>	<u>\$ 811,410,447</u>	<u>\$ 5,420,399,908</u>
\$ 23,377	\$ 295	\$ 7,466,893	\$ 270,777,011
-	-	2,285,059	39,540,265
-	-	2,913,578	121,949,540
4,387,194	-	-	4,387,194
-	-	29,221,085	59,645,778
76,769,660	5,209,159	94,963,452	1,034,857,381
-	2,438,885	26,618,356	131,656,346
-	-	119,961	463,741,067
758,951	-	69,719,006	83,432,678
-	-	300,000	300,000
170,361,883	6,655	18,683,113	543,140,196
9,420,000	-	-	9,420,000
-	-	636,746	53,510,019
<u>261,721,065</u>	<u>7,654,994</u>	<u>252,927,249</u>	<u>2,816,357,475</u>
-	-	38,294,308	388,805,354
-	-	1,066,867	5,512,590
2,108,912	-	-	15,124,304
-	-	263,889,607	263,889,607
-	233,441,869	-	233,441,869
105,081,841	-	26,233,723	131,315,564
-	-	111,699	1,653,303
-	-	-	303,482,381
-	-	-	7,549,375
-	-	11,463,134	11,463,134
-	-	39,365,712	39,365,712
-	8,677,940	-	1,024,381,092
-	-	178,036,768	178,036,768
-	-	21,380	21,380
<u>107,190,753</u>	<u>242,119,809</u>	<u>558,483,198</u>	<u>2,604,042,433</u>
<u>\$ 368,911,818</u>	<u>\$ 249,774,803</u>	<u>\$ 811,410,447</u>	<u>\$ 5,420,399,908</u>

This page intentionally left blank

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

State
of
Nevada

June 30, 2006

Total fund balances - governmental funds \$ 2,604,042,433

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	\$ 111,484,702	
Construction in progress	158,646,856	
Infrastructure assets	2,989,274,034	
Rights-of-way	454,669,712	
Buildings	1,031,256,499	
Improvements other than buildings	88,839,618	
Furniture and equipment	315,257,440	
Software costs	101,722,193	
Accumulated depreciation/amortization	<u>(615,619,173)</u>	
Total capital assets		4,635,531,881

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. 160,934,051

A portion of the interest accrued on bonds payable (not reported in the funds) is due from local governments. 7,440,932

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. 57,174,375

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. 12,564,315

Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt. 7,516,355

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	(2,680,073,463)	
Accrued interest on bonds	(27,840,929)	
Certificates of participation	(55,680,000)	
Capital leases	(6,531,910)	
Compensated absences	<u>(88,941,619)</u>	
Total long-term liabilities		<u>(2,859,067,921)</u>

Net assets of governmental activities \$ 4,626,136,421

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, 2006

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	\$ 987,671,785	\$ -	\$ -
Sales taxes	1,099,483,069	-	-
Modified business taxes	255,251,922	-	-
Insurance premium taxes	238,296,538	-	-
Property and transfer taxes	164,841,506	-	-
Motor and special fuel taxes	3,035,241	233,199,132	-
Other taxes	288,309,234	20,103,158	-
Intergovernmental	1,638,003,005	258,761,685	-
Licenses, fees and permits	214,404,159	177,252,249	-
Sales and charges for services	48,321,967	16,539,563	-
Interest and investment income	70,408,634	25,517,710	34,323,515
Tobacco settlement income	-	-	-
Land sales	-	-	-
Other	49,684,604	27,165,058	-
Total revenues	5,057,711,664	758,538,555	34,323,515
Expenditures			
<i>Current:</i>			
General government	122,520,699	9,810,833	49,221
Health and social services	1,983,339,666	-	-
Education and support services	38,201,195	-	-
Law, justice and public safety	374,538,360	140,163,512	-
Regulation of business	74,783,600	-	-
Transportation	-	706,543,365	-
Recreation and resource development	110,244,386	-	-
Intergovernmental	1,984,536,129	51,061,666	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	595,449	798,836	150,310,000
Interest, fiscal charges	186,240	77,982	-
Debt issuance costs	25,895	423,170	-
Arbitrage payments	-	-	-
Total expenditures	4,688,971,619	908,879,364	150,359,221
Excess (deficiency) of revenues over expenditures	368,740,045	(150,340,809)	(116,035,706)
Other Financing Sources (Uses)			
Capital leases	3,971,290	-	-
Sale of general obligation bonds	4,948,549	191,183,711	-
Premium on general obligation bonds	116,797	8,553,991	-
Sale of capital assets	121,467	5,912	-
Transfers in	73,747,436	3,677,779	-
Transfers out	(193,375,050)	(6,612,008)	(67,930,530)
Total other financing sources (uses)	(110,469,511)	196,809,385	(67,930,530)
Special Item			
One-time tax rebate	(276,772,886)	-	-
Net change in fund balances	(18,502,352)	46,468,576	(183,966,236)
Fund balances, July 1	539,998,017	297,004,091	1,015,246,577
Fund balances, June 30	\$ 521,495,665	\$ 343,472,667	\$ 831,280,341

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
\$ -	\$ -	\$ 15,439,239	\$ 1,003,111,024
-	-	-	1,099,483,069
-	-	-	255,251,922
-	-	-	238,296,538
135,066,623	-	19,033,347	318,941,476
-	-	61,148,664	297,383,037
-	-	34,879,508	343,291,900
19,152,414	-	56,882,035	1,972,799,139
-	-	31,278,018	422,934,426
-	-	15,272,500	80,134,030
6,099,042	533,141	15,918,569	152,800,611
-	-	35,684,973	35,684,973
-	-	71,230,805	71,230,805
881,571	-	10,274,458	88,005,691
<u>161,199,650</u>	<u>533,141</u>	<u>367,042,116</u>	<u>6,379,348,641</u>
2,451,909	202,054	48,159,623	183,194,339
-	-	77,031,329	2,060,370,995
-	-	819,786	39,020,981
-	140,472	15,404,533	530,246,877
-	-	20,683,200	95,466,800
-	-	-	706,543,365
-	-	24,596,200	134,840,586
758,951	-	67,718,604	2,104,075,350
-	-	114,225,879	114,225,879
114,215,000	-	30,851,233	296,770,518
96,641,966	-	23,777,242	120,683,430
524,237	-	142,990	1,116,292
65,800	-	7,900	73,700
<u>214,657,863</u>	<u>342,526</u>	<u>423,418,519</u>	<u>6,386,629,112</u>
<u>(53,458,213)</u>	<u>190,615</u>	<u>(56,376,403)</u>	<u>(7,280,471)</u>
-	-	171,455	4,142,745
525,497	-	34,964,889	231,622,646
-	-	1,032,557	9,703,345
-	-	38,849	166,228
83,689,892	88,664,487	131,078,634	380,858,228
-	(2,438,885)	(78,693,991)	(349,050,464)
<u>84,215,389</u>	<u>86,225,602</u>	<u>88,592,393</u>	<u>277,442,728</u>
-	-	-	(276,772,886)
30,757,176	86,416,217	32,215,990	(6,610,629)
76,433,577	155,703,592	526,267,208	2,610,653,062
<u>\$ 107,190,753</u>	<u>\$ 242,119,809</u>	<u>\$ 558,483,198</u>	<u>\$ 2,604,042,433</u>

This page intentionally left blank

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

State
of
Nevada

June 30, 2006

Net change in fund balances - total governmental funds \$ (6,610,629)

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	\$387,286,620	
Depreciation expense	<u>(63,279,603)</u>	
Excess of capital outlay over depreciation expense		324,007,017

Bond 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	(234,534,000)	
Premiums on debt issued	<u>(9,800,914)</u>	
Total bond proceeds		(244,334,914)

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.

(4,142,745)

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	292,879,890	
Certificates of participation retirement	720,000	
Capital lease payments	<u>1,538,227</u>	
Total long-term debt repayment		295,138,117

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.

13,064,828

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 increased by this amount this year.

43,329,958

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.

(1,366,456)

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.

1,126,475

Amortization of bond issuance costs is reported as an expense for the statement of activities.

(545,905)

Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.

(10,213,148)

Amortization of bond premiums is reported as a reduction of interest expense for the statement of activities.

6,943,096

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	(2,139,322)	
Increase in compensated absences	(13,242,494)	
Decrease in arbitrage liability	48,634	
Total additional expenditures		<u>(15,333,182)</u>

Change in net assets of governmental activities

\$ 401,062,512

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

**Statement of Net Assets
Proprietary Funds**

June 30, 2006

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
<i>Cash and pooled investments:</i>						
Cash with treasurer	\$ 164,367	\$ -	\$ 52,238,563	\$ 35,075,251	\$ 87,478,181	\$ 124,421,977
Cash in custody of other officials	11,610	660,851,444	-	1,290,950	662,154,004	200
Investments	21,372,536	-	-	-	21,372,536	-
Collateral on loaned securities	-	-	28,310,465	14,371,395	42,681,860	50,422,763
<i>Receivables:</i>						
Accounts receivable	-	-	-	3,465,935	3,465,935	1,322,094
Assessments receivable	-	121,938,048	-	-	121,938,048	-
Intergovernmental receivables	-	-	685,884	307,002	992,886	864,478
Contracts receivable	-	-	-	5,000,000	5,000,000	-
Accrued interest and dividends	3,782,063	-	2,445,377	529,124	6,756,564	-
Notes/loans receivable	-	-	-	-	-	10,000
Due from other funds	5,095	-	858,844	2,097,705	2,961,644	10,262,723
Due from fiduciary funds	-	-	-	16,442	16,442	445
Due from component units	-	-	-	5,298	5,298	4,795,255
Inventory	-	-	-	1,450,672	1,450,672	570,183
Prepaid expenses	-	-	-	31,282	31,282	659,240
<i>Restricted assets:</i>						
Investments	120,025,227	-	-	-	120,025,227	-
Total current assets	145,360,898	782,789,492	84,539,133	63,641,056	1,076,330,579	193,329,358
Noncurrent assets:						
Investments	174,137,837	-	152,706,267	87,249,759	414,093,863	-
<i>Receivables:</i>						
Contracts receivable	-	-	-	15,159,525	15,159,525	-
Mortgages receivable	589,239,896	-	-	-	589,239,896	-
Accrued interest and dividends	-	-	-	255,023	255,023	-
Notes/loans receivable	-	-	101,859,131	1,598,487	103,457,618	139,400
Deferred charges	1,105,658	-	1,696,442	-	2,802,100	-
<i>Restricted assets:</i>						
Investments	5,858,438	-	-	-	5,858,438	-
Other assets	5,305,493	-	-	14,500	5,319,993	-
<i>Capital assets:</i>						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	9,826,380
Improvements other than buildings	-	-	-	630,647	630,647	713,667
Furniture and equipment	312,520	-	43,947	4,448,468	4,804,935	63,285,632
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	-	-	8,227,179
Less accumulated depreciation/ amortization	(300,472)	-	(31,432)	(6,236,047)	(6,567,951)	(63,227,852)
Total noncurrent assets	775,659,370	-	256,274,355	107,077,014	1,139,010,739	34,419,170
Total assets	921,020,268	782,789,492	340,813,488	170,718,070	2,215,341,318	227,748,528

Enterprise Funds

	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
<i>Accounts payable and accruals:</i>						
Accounts payable	10,083,737	9,095,463	95,122	1,021,975	20,296,297	16,110,592
Accrued payroll and related liabilities	87,587	-	7,420	542,536	637,543	1,076,327
Interest payable	7,271,087	-	2,258,922	-	9,530,009	-
Intergovernmental payables	-	-	-	7,527	7,527	279,244
Bank overdraft	-	-	-	-	-	4,196,427
Obligations under securities lending	-	-	28,310,465	14,371,395	42,681,860	50,422,763
Due to other funds	3,955	-	586,007	2,658,480	3,248,442	4,046,294
Due to fiduciary funds	-	-	-	95,427	95,427	7,800
Due to component units	-	-	-	48,336	48,336	142,221
Unearned revenues	-	-	-	6,873,712	6,873,712	1,342,686
Other liabilities	-	-	-	13,710	13,710	587
<i>Short-term portion of long-term liabilities:</i>						
Compensated absences	121,470	-	-	883,157	1,004,627	1,997,825
Benefits payable	-	-	-	4,400,000	4,400,000	-
Bonds payable	8,943,000	-	6,834,291	-	15,777,291	347,011
Obligations under capital leases	-	-	-	-	-	998,503
Total current liabilities	26,510,836	9,095,463	38,092,227	30,916,255	104,614,781	80,968,280
Noncurrent liabilities:						
Advances from funds	-	-	-	3,411,022	3,411,022	11,413,282
Reserve for losses	-	-	-	-	-	65,458,893
Compensated absences	108,095	-	-	451,274	559,369	1,114,263
Benefits payable	-	-	-	103,558,000	103,558,000	-
Bonds payable	736,837,000	-	113,947,252	-	850,784,252	9,198,216
Obligations under capital leases	-	-	-	-	-	2,335,398
Total noncurrent liabilities	736,945,095	-	113,947,252	107,420,296	958,312,643	89,520,052
Total liabilities	763,455,931	9,095,463	152,039,479	138,336,551	1,062,927,424	170,488,332
Net Assets						
Invested in capital assets, net of related debt	12,048	-	12,515	2,799,720	2,824,283	22,790,744
<i>Restricted for:</i>						
Unemployment compensation	-	773,694,029	-	-	773,694,029	-
Security of outstanding obligations	154,874,666	-	-	-	154,874,666	-
Workers' compensation	-	-	-	25,705,113	25,705,113	-
Revolving loans	-	-	188,761,494	-	188,761,494	-
Regulation of business	-	-	-	212,203	212,203	-
Unrestricted (deficit)	2,677,623	-	-	3,664,483	6,342,106	34,469,452
Total net assets	\$ 157,564,337	\$ 773,694,029	\$ 188,774,009	\$ 32,381,519	1,152,413,894	\$ 57,260,196

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.

Net assets of business-type activities

85,822
\$ 1,152,499,716

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

This page intentionally left blank

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

State
of
Nevada

For the Fiscal Year Ended June 30, 2006

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues						
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,024,264
Sales	-	-	-	16,502,426	16,502,426	4,238,640
Assessments	-	365,597,836	-	21,810,553	387,408,389	-
Charges for services	-	-	25,000	12,156,934	12,181,934	48,094,433
Rental income	-	-	-	217,460	217,460	18,948,524
Interest income on loans/notes	30,016,149	-	6,465,008	122,183	36,603,340	-
Federal government	2,528,854	4,287,660	36,574,239	-	43,390,753	-
Licenses, fees and permits	-	-	-	3,387,227	3,387,227	-
Fines	-	-	-	814,579	814,579	-
Other	3,573,204	-	-	3,642,488	7,215,692	1,627,206
Total operating revenues	36,118,207	369,885,496	43,064,247	58,653,850	507,721,800	326,933,067
Operating Expenses						
Salaries and benefits	1,934,151	-	293,273	16,629,437	18,856,861	32,095,364
Operating	3,230,092	-	949,589	13,117,314	17,296,995	39,555,145
Administrative costs	-	-	-	26,100	26,100	-
Claims and benefits expense	-	239,232,512	-	24,740,805	263,973,317	173,236,116
Interest on bonds payable	38,644,006	-	-	-	38,644,006	-
Materials or supplies used	-	-	-	2,815,242	2,815,242	2,222,659
Servicers' fees	302,198	-	-	-	302,198	-
Depreciation	24,187	-	8,030	383,502	415,719	4,453,113
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	1,253,974	-	175,548	-	1,429,522	-
Insurance premiums	-	-	-	-	-	62,993,152
Total operating expenses	45,388,608	239,232,512	1,426,440	57,712,400	343,759,960	316,087,930
Operating income (loss)	(9,270,401)	130,652,984	41,637,807	941,450	163,961,840	10,845,137
Nonoperating Revenues (Expenses)						
Interest and investment income	17,390,434	28,807,785	4,030,630	6,960,282	57,189,131	4,372,427
Interest expense	-	-	(6,798,394)	(733,875)	(7,532,269)	(1,869,658)
Federal grants	-	-	-	2,078,607	2,078,607	-
Gain (loss) on disposal of assets	-	-	(6,601)	6,202	(399)	150,109
Total nonoperating revenues (expenses)	17,390,434	28,807,785	(2,774,365)	8,311,216	51,735,070	2,652,878
Income (loss) before transfers	8,120,033	159,460,769	38,863,442	9,252,666	215,696,910	13,498,015
Transfers						
Transfers in	-	-	-	965,774	965,774	911,489
Transfers out	-	(12,805,240)	(701,221)	(18,832,005)	(32,338,466)	(1,346,561)
Change in net assets	8,120,033	146,655,529	38,162,221	(8,613,565)	184,324,218	13,062,943
Net assets, July 1	149,444,304	627,038,500	150,611,788	40,995,084		44,197,253
Net assets, June 30	\$ 157,564,337	\$ 773,694,029	\$ 188,774,009	\$ 32,381,519		\$ 57,260,196

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

(95,238)
\$ 184,228,980

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

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2006

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	
Cash flows from operating activities						
Receipts from customers and users	\$ 7,178,381	\$350,273,560	\$ 25,000	\$56,424,825	\$ 413,901,766	\$ 49,262,960
Receipts for interfund services provided	794,552	1,178,900	332,004	3,668,554	5,974,010	216,502,977
Receipts from component units	-	-	-	3,521	3,521	56,284,361
Receipts of principal on loans/notes	398,905,940	-	8,931,778	378,882	408,216,600	-
Receipts of interest on loans/notes	30,647,486	-	6,276,691	154,555	37,078,732	-
Receipts from federal government	-	4,287,660	36,931,256	-	41,218,916	-
Payments to suppliers, other governments and beneficiaries	(3,320,477)	(234,815,586)	(964,664)	(18,675,912)	(257,776,639)	(254,562,989)
Payments to employees	(1,861,861)	-	(316,763)	(16,302,920)	(18,481,544)	(31,550,329)
Payments for interfund services	(1,094,373)	-	(291)	(4,493,318)	(5,587,982)	(12,996,804)
Payments to component units	-	-	(50,491)	(1,716,256)	(1,766,747)	(399,954)
Purchase of loans and notes	(355,107,322)	-	(72,721,952)	(1,500)	(427,830,774)	-
Net cash provided by (used for) operating activities	76,142,326	120,924,534	(21,557,432)	19,440,431	194,949,859	22,540,222
Cash flows from noncapital financing activities						
Grant receipts	2,528,854	-	-	2,099,264	4,628,118	-
Proceeds from sale of bonds	19,000,000	-	1,965,589	-	20,965,589	-
Transfers and advances from other funds	-	-	-	992,426	992,426	1,832,220
Principal paid on noncapital debt	(136,186,000)	-	(3,875,000)	-	(140,061,000)	-
Interest paid on noncapital debt	(40,235,025)	-	(5,435,356)	-	(45,670,381)	-
Transfers and advances to other funds	-	(12,805,240)	(851,290)	(18,047,194)	(31,703,724)	(642,990)
Other noncapital financing activities	(2,528,854)	-	-	-	(2,528,854)	-
Net cash provided by (used for) noncapital financing activities	(157,421,025)	(12,805,240)	(8,196,057)	(14,955,504)	(193,377,826)	1,189,230
Cash flows from capital and related financing activities						
Transfers from other funds	-	-	-	-	-	1,213,174
Proceeds from sale of capital assets	-	-	-	6,201	6,201	165,898
Purchase of capital assets	(8,252)	-	-	(332,691)	(340,943)	(5,792,118)
Principal paid on capital debt	-	-	-	(10,512)	(10,512)	(3,572,040)
Interest paid on capital debt	-	-	-	-	-	(202,385)
Net cash provided by (used for) capital and related financing activities	(8,252)	-	-	(337,002)	(345,254)	(8,187,471)
Cash flows from investing activities						
Proceeds from sale of investments	1,459,621,929	-	-	31,306,948	1,490,928,877	-
Purchase of investments	(1,396,957,160)	-	-	(41,416,895)	(1,438,374,055)	-
Interest and dividends received	18,617,391	28,807,785	2,026,231	5,423,067	54,874,474	1,844,277
Net cash provided by (used for) investing activities	81,282,160	28,807,785	2,026,231	(4,686,880)	107,429,296	1,844,277
Net increase (decrease) in cash	(4,791)	136,927,079	(27,727,258)	(538,955)	108,656,075	17,386,258
Cash and cash equivalents, July 1	180,768	523,924,365	79,965,821	36,905,156	640,976,110	107,035,919
Cash and cash equivalents, June 30	\$ 175,977	\$ 660,851,444	\$ 52,238,563	\$ 36,366,201	\$ 749,632,185	\$ 124,422,177

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	\$ (9,270,401)	\$ 130,652,984	\$ 41,637,807	\$ 941,450	\$ 163,961,840	\$ 10,845,137
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	24,187	-	8,030	383,502	415,719	4,453,113
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	1,253,974	-	175,548	-	1,429,522	-
Interest on bonds payable	38,644,006	-	-	-	38,644,006	-
Decrease (increase) in loans and notes receivable	44,106,950	-	(63,533,086)	164,719	(19,261,417)	-
Decrease (increase) in accrued interest and receivables	352,284	(14,145,376)	376,585	706,491	(12,710,016)	(6,199,167)
Decrease (increase) in inventory, deferred charges, other assets	-	-	(188,318)	(46,289)	(234,607)	(751,888)
Increase (decrease) in accounts payable, accruals, other liabilities	1,031,326	4,416,926	(25,390)	17,290,558	22,713,420	12,660,646
Other adjustments	-	-	(8,608)	-	(8,608)	-
Total adjustments	85,412,727	(9,728,450)	(63,195,239)	18,498,981	30,988,019	11,695,085
Net cash provided by (used for) operating activities	\$ 76,142,326	\$ 120,924,534	\$ (21,557,432)	\$ 19,440,431	\$ 194,949,859	\$ 22,540,222
Noncash investing, capital and financing activities						
Property leased or acquired	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 573,342
Construction completed or in progress	-	-	-	-	-	6,471,421
Interest/dividends on investments accrued	-	-	3,304,221	529,073	3,833,294	1,257,067
Change in fair value of investments	1,050,413	-	(110,856)	360,820	1,300,377	(140,678)

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

**Statement of Fiduciary Net Assets
Fiduciary Funds**

State
of
Nevada

June 30, 2006

	Pension Trust Funds	Investment Trust Funds	Private-Purpose Trust Fund - Prisoners' Personal Property	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ -	\$ 20,036	\$ 4,102,304	\$ 107,888,604
Cash in custody of other officials	327,250,512	-	-	80,399,274
<i>Investments:</i>				
Investments	-	895,484,741	-	111,917,663
Fixed income securities	5,279,690,699	-	-	-
Marketable equity securities	9,335,287,374	-	-	-
International securities	3,747,910,033	-	-	-
Mortgage loans	12,178	-	-	-
Real estate	1,017,351,126	-	-	-
Alternative investments	279,262,654	-	-	-
Collateral on loaned securities	1,691,103,869	149,992,053	-	2,216,541
<i>Receivables:</i>				
Accounts receivable	-	-	3,304	-
Accrued interest and dividends	85,522,567	4,934,624	-	-
Taxes receivable	-	-	-	21,298,213
Trades pending settlement	324,139,772	-	-	-
Intergovernmental receivables	72,211,585	-	122,799	-
Other receivables	-	-	-	42,624,280
Due from other funds	1,232,781	-	372,951	462,238,562
Due from fiduciary funds	18,779,380	-	-	13,615,500
Other assets	1,194,797	-	-	-
Furniture and equipment	26,982,468	-	-	-
Accumulated depreciation	(23,121,268)	-	-	-
Total assets	22,184,810,527	1,050,431,454	4,601,358	842,198,637
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	8,996,413	119,911	51,401	-
Accrued payroll and related liabilities	-	-	-	14,092
Intergovernmental payables	-	2,744,102	8,414	557,888,269
Trades pending settlement	910,562,046	-	-	-
Obligations under securities lending	1,691,103,869	149,992,053	-	2,216,541
Due to other funds	445	30,581	801,476	-
Due to fiduciary funds	-	-	31,486	32,363,394
<i>Other liabilities:</i>				
Deposits	-	-	-	239,307,687
Other liabilities	-	-	14,457	10,408,654
Total liabilities	2,610,662,773	152,886,647	907,234	842,198,637
Net Assets				
<i>Held in trust for:</i>				
Employees' pension benefits	19,574,147,754	-	-	-
Individuals, organizations and other governments	-	897,544,807	3,694,124	-
Total net assets	\$ 19,574,147,754	\$ 897,544,807	\$ 3,694,124	\$ -

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

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds**

State
of
Nevada

For the Fiscal Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Fund - Prisoners' Personal Property</u>
Additions			
<i>Contributions:</i>			
Employer	\$ 974,722,426	\$ -	\$ -
Plan members	76,004,251	-	-
Participants	-	-	16,724,564
Repayment and purchase of service	42,343,602	-	-
Total contributions	1,093,070,279	-	16,724,564
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	1,027,956,672	(2,555,204)	-
Interest, dividends	490,747,312	33,234,457	-
Securities lending income	69,477,763	6,602,673	-
Other	69,022,827	-	-
	1,657,204,574	37,281,926	-
Less investment expense:			
Cost of securities lending	(64,175,128)	(6,358,218)	-
Other	(23,647,817)	(516,507)	-
Net investment income	1,569,381,629	30,407,201	-
<i>Other:</i>			
Investment from local governments	-	1,352,186,146	-
Reinvestment from interest income	-	23,243,066	-
Other	3,117,437	-	-
Total other	3,117,437	1,375,429,212	-
Total additions	2,665,569,345	1,405,836,413	16,724,564
Deductions			
Principal redeemed	-	1,194,656,927	-
Benefit payments	835,061,953	-	16,157,157
Refunds	13,901,121	-	-
Contribution distributions	4,673,102	-	-
Dividends to investors	-	25,737,120	-
Administrative expense	8,313,768	113,974	-
Total deductions	861,949,944	1,220,508,021	16,157,157
Change in net assets	1,803,619,401	185,328,392	567,407
Net assets, July 1	17,770,528,353	712,216,415	3,126,717
Net assets, June 30	\$ 19,574,147,754	\$ 897,544,807	\$ 3,694,124

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

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 prescribed by the Governmental Accounting Standards Board (GASB). 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 in 2001 to provide a reasonable base income to justices of the Supreme Court and district judges at retirement.

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 services to citizens through the distribution and sale of electric power. As CRC has a

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 1 Continued)

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

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 interfund activity has been removed from these statements. Interfund 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 1 Continued)

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 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 1 Continued)

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.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds - include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. Examples include school improvement, regulatory, tourism promotion, and other activities.

Debt Service Funds - account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - account for the acquisition or construction of major State capital facilities generally financed by bond proceeds and commercial paper notes.

Permanent Funds - report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. An example is the Permanent School Fund in which all earnings are distributed to school districts within the State.

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 and prison industry.

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 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 and the Nevada Enhanced Savings Term Investment Trust.

Private Purpose Trust Fund - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The Prisoners' Personal Property accounts for personal property held in trust for prisoners pending their release (NRS 209.241).

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 1 Continued)

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 and Nevada Enhanced Savings Term Investment Trust are investment trust funds as defined in Governmental Accounting Standards Board Statement No. 31. The investments in these funds are subject to the general limitation of section 355.170 of Nevada Revised Statutes. 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 investment trust funds.

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.

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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 1 Continued)

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.

Infrastructure, such as roads and bridges, was capitalized for the first time in the year ended June 30, 2002. 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. However, 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 \$2,000 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. Fiduciary funds are not included in the Statement of Net Assets.

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 issuance 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 1 Continued)

“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. 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. The Legislative Interim Finance Committee (LIFC) must approve revisions of more than \$20,000 that would increase or decrease program expenditures by the lesser of 10% of the level approved by the Legislature or \$50,000. 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 Revenue Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$18,206,226 were made in the 2006 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. However, 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. Repayments of such advances are considered revenues.
- 3) 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 2 Continued)

- 4) Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.
- 5) Revenue from grants is only recognized when it is received in cash.
- 6) 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, Pension 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, 2006, the bank balance of the primary government, pension trust and investment trust funds totaled \$678,396,779.

Component Units - at June 30, 2006, the bank balance of the component units totaled \$232,397,000, of which \$147,196,000 was uncollateralized and uninsured.

B. Investments

Nevada Revised Statute (NRS) chapter 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit; AAA rated asset-backed securities; A-1, P-1 or better rated bankers' acceptances and commercial paper; AAA rated collateralized mortgage obligations; A or better rated corporate notes; AAA rated registered 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). The investments of PERS are governed by the "prudent person" standard as set forth by NRS Chapter 286.682. 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) and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the following tables. LGIP and NVEST are investment trust funds governed by the Nevada State Board of Finance and administered by the Nevada State Treasurer. LGIP and NVEST are discussed further under Note 1, Asset, Liabilities and Net Assets/Fund Balance. 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.

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 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 trust funds authorize all securities within the Lehman Aggregate Index benchmark. If

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 3 Continued)

securities are purchased outside the Lehman 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 (expressed in thousands):

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 2,057,870	\$ 400,275	\$ 830,826	\$ 257,946	\$ 568,823
Negotiable certificates of deposit	165,494	159,994	5,500	-	-
U. S. agencies	2,390,305	1,728,713	554,455	13,161	93,976
Mutual funds	262,809	262,809	-	-	-
Repurchase agreements	184,345	184,345	-	-	-
Asset backed corporate securities	1,210,099	15,819	129,739	29,231	1,035,310
Corporate bonds and notes	1,067,020	70,982	421,973	292,930	281,135
Commercial paper	186,305	186,305	-	-	-
Fixed income securities	12,408	-	4,253	3,822	4,333
International investments	1,836,250	93,503	941,147	430,841	370,759
Municipal bonds	983,962	50	236,839	37,498	709,575
Investment agreements	18,285	-	-	-	18,285
Other short-term investments	2,000	2,000	-	-	-
Collateralized mortgage obligations	290,179	-	22,193	26,577	241,409
Total	\$ 10,667,331	\$ 3,104,795	\$ 3,146,925	\$ 1,092,006	\$ 3,323,605

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, 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. The following table provides the segmented time distribution for these investments at June 30, 2006 (expressed in thousands):

Less than 1 year	\$ 25,080
1 to 5 years	174,072
6 to 10 years	34,577
More than 10 years	10,494

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, Pension Trust and Investment Trust Funds - Nevada Revised Statute 355.140, the State Treasurer's investment policy, and investment policies of the pension trust and investment trust funds all address credit risk. The State's investments as of June 30, 2006 were rated by Standard and Poor's and/or equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 3 Continued)

	Fair Value	Quality Rating					Unrated
		AAA	AA	A	BBB	BB	
Negotiable certificates of deposit	\$ 160,495	\$ -	\$ 5,500	\$ 154,995	\$ -	\$ -	\$ -
U.S. agencies	2,390,305	1,342,665	-	1,032,838	-	-	14,802
Mutual funds	262,809	262,576	-	-	-	-	233
Repurchase agreements	76,345	76,345	-	-	-	-	-
Asset backed corporate securities	323,493	303,779	101	2,700	301	-	16,612
Corporate bonds and notes	1,265,264	382,509	131,370	430,317	304,657	1,106	15,305
Commercial paper	186,305	-	-	186,305	-	-	-
Fixed income securities	35,309	15,060	5,511	9,824	4,014	-	900
International investments	1,929,250	1,136,911	650,689	85,877	45,372	-	10,401
Municipal bonds	983,961	-	983,961	-	-	-	-
Investment agreements	18,285	8,257	10,028	-	-	-	-
Other short-term investments	2,000	-	-	-	-	-	2,000
Collateralized mortgage obligations	221,077	214,719	207	505	400	-	5,246
Total	\$ 7,854,898	\$3,742,821	\$ 1,787,367	\$ 1,903,361	\$ 354,744	\$ 1,106	\$ 65,499

Quality ratings for the Public Employees' Retirement System (PERS) U.S agency investments of \$1,774.6 million have been assigned by PERS' custodial bank, The Bank of New York, and are not included in the table above.

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 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, 2006 is as follows (expressed in thousands):

	Fair Value	Quality Rating			Unrated
		AAA	AA	A	
Corporate bonds	\$ 1,128	\$ 52	\$ 248	\$ 828	\$ -
Commingled U.S. bond funds	81,475	-	-	-	81,475
Commingled non U.S. bond funds	3,175	-	-	-	3,175
Commingled money market bond funds	7,729	-	-	-	7,729
Total	\$ 93,507	\$ 52	\$ 248	\$ 828	\$ 92,379

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 Nevada Revised Statutes 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. At June 30, 2006, the following investments exceeded 5% of the Local Government Investment Pool's total investments (expressed in thousands):

	Fair Value	Percentage
Federal Farm Credit Bank	\$ 124,681	18.73%
Federal Home Loan Bank	297,521	44.68%

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. As of June 30, 2006, the

Housing Division's investments in Fannie Mae are 28.31% of Housing Division's total 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 and Pension 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 and the Judicial Retirement System of Nevada 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 trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2006 (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 3 Continued)

	Currency by Investment and Fair Value			
	Fixed Income	Equity	Derivatives	Cash
Australian Dollar	\$ 36	\$ 294	\$ (41)	\$ 16
Austrian Schilling	-	13	-	-
Belgian Franc	-	10	-	-
British Pound Sterling	474	1,001	(116)	10
Canadian Dollar	175	4	(38)	(1)
Danish Krone	78	39	(2)	5
Euro Currency	2,697	2,054	24	1
Hong Kong Dollar	-	98	-	-
Japanese Yen	1,826	1,471	207	29
New Zealand Dollar	-	9	-	-
Norwegian Krone	41	46	1	(10)
Polish Zloty	35	-	3	12
Singapore Dollar	10	46	10	4
Swedish Krona	43	126	16	8
Swiss Franc	35	433	19	3
Other	1	-	-	-
Total	\$ 5,451	\$ 5,644	\$ 83	\$ 77

Component Unit - the Nevada System of Higher Education had \$75,966,000 of investments in international mutual funds subject to foreign currency risk in its operating and endowment investment pools. The U.S. dollar balances of international mutual funds organized by the respective foreign currencies are as follows in U.S. dollars (expressed in thousands):

Currency by Investment and Fair Value	
	Mutual Funds
Australian Dollar	\$ 1,438
Brazilian Reai	2,040
British Pound Sterling	12,272
Canadian Dollar	3,376
Chinese Renminbi	1,614
Euro Currency	20,423
Japanese Yen	13,316
South Korean Won	4,279
Swiss Franc	3,883
Taiwan New Dollar	2,361
Other	10,964
Total	\$ 75,966

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 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.

The fair value of securities on loan at June 30, 2006 (excluding PERS) is \$1,269,311,301. The fair value of cash collateral received in securities lending arrangements (excluding PERS) of \$1,293,244,655 is reported in the Statement of Net Assets and the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2006 total collateral (excluding PERS) has a fair value of \$1,294,666,292. Such collateral consists of cash, commercial paper, asset backed securities, money market mutual funds, certificates of deposit and fixed income securities. The total collateral received is in excess of the fair value of the investments held by brokers/dealers under the securities lending agreement.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 3 Continued)

Pension Trust Fund - PERS 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 for U.S. securities loaned, or 105% for international securities loaned, 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 securities on loan at June 30, 2006 is \$1,661,295,703. The fair value of the cash collateral received in securities lending arrangements of \$1,691,103,869 is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2006, 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. The Retirement Board adopted a formal written policy on the use of derivatives. The type 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 risk 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 fixed income futures and options - used to reduce transaction costs, control portfolio duration, and enhance return.

Mortgage backed securities – used for diversification and enhance return (component of Lehman Aggregate Index).

Asset backed securities – used for diversification and enhance return (component of Lehman 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, 2006

State
of
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
As shown on financial statements:		
Intergovernmental receivables	\$ 407,120	\$ 37,621
Notes/loans receivable	652	10,749
Total	\$ 407,772	\$ 48,370
Classified:		
Current portion	\$ 249,536	\$ 40,053
Noncurrent portion:		
Intergovernmental receivables	157,737	-
Notes/loans receivable	499	8,317
Total noncurrent portion	158,236	8,317
Total	\$ 407,772	\$ 48,370

Not included in the receivable balances are amounts considered to be uncollectible. \$72.3 million of taxes receivable in the governmental funds are estimated to be uncollectible, of which \$53.4 million are from sales tax. Uncollectible accounts receivable in the governmental funds total \$29.4 million. The proprietary funds have \$10.0 million in uncollectible accounts receivable of which \$9.2 million are from unemployment contributions and benefit overpayments.

Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2006, follows (expressed in thousands):

	Advances From			
	Major Funds			
	General	State Highway	Consolidated Bond Interest and Redemption	Total
Advances To				
Nonmajor governmental	\$ 300	\$ -	\$ -	\$ 300
Nonmajor enterprise	3,411	-	-	3,411
Internal service	9,297	7	2,109	11,413
Total other funds	\$ 13,008	\$ 7	\$ 2,109	\$ 15,124

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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(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, 2006, is shown below (expressed in thousands):

	Due To						Total Governmental
	Major Governmental Funds						
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Stabilize the Operations of State Gov't	Nonmajor Governmental	
Due From							
Major Governmental Funds:							
General	\$ -	\$ 9,473	\$ 51	\$ 1,963	\$ 49,920	\$ 27,975	\$ 89,382
State Highway	543	-	-	-	-	1,261	1,804
Municipal Bond Bank	17	-	-	389	-	-	406
Stabilize the Operations of State Government	2,439	-	-	-	-	-	2,439
Nonmajor governmental	18,621	167	-	1,048	-	4,966	24,802
Total Governmental	21,620	9,640	51	3,400	49,920	34,202	118,833
Major Enterprise Funds:							
Housing Division	-	-	-	-	-	1	1
Water Projects Loans	586	-	-	-	-	-	586
Nonmajor enterprise	2,583	6	-	-	-	10	2,599
Total Enterprise	3,169	6	-	-	-	11	3,186
Internal Service	3,198	286	-	148	-	76	3,708
Total other funds	\$ 27,987	\$ 9,932	\$ 51	\$ 3,548	\$ 49,920	\$ 34,289	\$ 125,727
Fiduciary	\$ 235	\$ -	\$ -	\$ -	\$ -	\$ 580	\$ 815
Component Units:							
Nevada System of Higher Education	\$ 14,098	\$ -	\$ -	\$ 7,285	\$ -	\$ 237	\$ 21,620
Colorado River Commission	-	-	-	-	-	1	1
Total Component Units	\$ 14,098	\$ -	\$ -	\$ 7,285	\$ -	\$ 238	\$ 21,621

	Due To						
	Major Enterprise Funds			Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Water Projects Loans	Nonmajor Enterprise				
Due From							
Major Governmental Funds:							
General	\$ -	\$ 859	\$ 1,630	\$ 2,489	\$ 6,811	\$ 98,682	\$ 461,254
State Highway	-	-	5	5	1,701	3,510	2,367
Municipal Bond Bank	-	-	-	-	-	406	-
Stabilize the Operations of State Government	-	-	-	-	-	2,439	-
Nonmajor governmental	5	-	457	462	1,355	26,619	120
Total Governmental	5	859	2,092	2,956	9,867	131,656	463,741
Major Enterprise Funds:							
Housing Division	-	-	-	-	3	4	-
Water Projects Loans	-	-	-	-	-	586	-
Nonmajor enterprise	-	-	-	-	59	2,658	95
Total Enterprise	-	-	-	-	62	3,248	95
Internal Service	-	-	6	6	333	4,047	8
Total other funds	\$ 5	\$ 859	\$ 2,098	\$ 2,962	\$ 10,262	\$ 138,951	\$ 463,844
Fiduciary	\$ -	\$ -	\$ 16	\$ 16	\$ -	\$ 831	\$ 32,395
Component Units:							
Nevada System of Higher Education	\$ -	\$ -	\$ 4	\$ 4	\$ 4,793	\$ 26,417	\$ -
Colorado River Commission	-	-	1	1	2	4	-
Total Component Units	\$ -	\$ -	\$ 5	\$ 5	\$ 4,795	\$ 26,421	\$ -

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 5 Continued)

	Due To		
	Component Units		
	Nevada System of Higher Education	Colorado River Commission	Total Component Units
Due From			
Major Governmental Funds:			
General	\$ 12,227	\$ 376	\$ 12,603
State Highway	352	-	352
Consolidated Bond Interest and Redemption	759	-	759
Nonmajor governmental	69,719	-	69,719
Total Governmental	<u>83,057</u>	<u>376</u>	<u>83,433</u>
Nonmajor enterprise	48	-	48
Internal Service	142	-	142
Total other funds	<u>\$ 83,247</u>	<u>\$ 376</u>	<u>\$ 83,623</u>

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, 2006, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					
	General	State Highway	Municipal Bond Bank	Stabilize the Operations of State Gov't	Nonmajor Governmental	Total Governmental
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 3,788	\$ 55	\$ 2,439	\$ 47,217	\$ 53,499
State Highway	1,449	-	-	-	2,229	3,678
Consolidated Bond Interest and Redemption	1,425	-	67,876	-	14,389	83,690
Stabilize the Operations of State Government	88,664	-	-	-	-	88,664
Nonmajor governmental	100,098	2,810	-	-	14,734	117,642
Total Governmental	<u>191,636</u>	<u>6,598</u>	<u>67,931</u>	<u>2,439</u>	<u>78,569</u>	<u>347,173</u>
Nonmajor enterprise	841	-	-	-	125	966
Internal Service	898	13	-	-	-	911
Total other funds	<u>\$ 193,375</u>	<u>\$ 6,611</u>	<u>\$ 67,931</u>	<u>\$ 2,439</u>	<u>\$ 78,694</u>	<u>\$ 349,050</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 5 Continued)

	Transfers Out/To					
	Major Enterprise Funds		Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
	Unemployment Compensation	Water Projects Loans				
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 701	\$ 18,786	\$ 19,487	\$ 761	\$ 73,747
State Highway	-	-	-	-	-	3,678
Consolidated Bond Interest and Redemption	-	-	-	-	-	83,690
Stabilize the Operations of State Government	-	-	-	-	-	88,664
Nonmajor governmental	12,805	-	46	12,851	586	131,079
Total Governmental	12,805	701	18,832	32,338	1,347	380,858
Nonmajor enterprise	-	-	-	-	-	966
Internal Service	-	-	-	-	-	911
Total other funds	\$ 12,805	\$ 701	\$ 18,832	\$ 32,338	\$ 1,347	\$ 382,735

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 two transfers from the General Fund to the Stabilize the Operations of State Government ("Rainy Day") fund of \$37 million and \$49.3 million. The Nevada Legislature approved the first transfer, and the second transfer was triggered when the General Fund unrestricted fund balance reached a certain level as defined by statute.

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 \$705.6 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, 2006 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	\$ -	\$ -	\$ 43,694
Investments	125,884	125,884	149,680
Total	<u>\$ 125,884</u>	<u>\$ 125,884</u>	<u>\$ 193,374</u>
Restricted for:			
Debt service	\$ 125,884	\$ 125,884	\$ 716
Construction	-	-	187,108
Other purposes	-	-	5,550
Total	<u>\$ 125,884</u>	<u>\$ 125,884</u>	<u>\$ 193,374</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

Note 7- Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2006, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 110,854	\$ 762	\$ -	\$ 111,616
Construction in progress	106,676	143,228	(83,030)	166,874
Infrastructure	2,792,680	196,594	-	2,989,274
Rights-of-way	417,743	38,242	(1,316)	454,669
Total capital assets, not being depreciated	<u>3,427,953</u>	<u>378,826</u>	<u>(84,346)</u>	<u>3,722,433</u>
<i>Capital assets, being depreciated/amortized</i>				
Buildings	979,967	61,116	-	1,041,083
Improvements other than buildings	82,597	6,956	-	89,553
Furniture and equipment	354,367	37,324	(13,147)	378,544
Software costs	116,719	761	(434)	117,046
Total capital assets, being depreciated/amortized	<u>1,533,650</u>	<u>106,157</u>	<u>(13,581)</u>	<u>1,626,226</u>
<i>Less accumulated depreciation/amortization for:</i>				
Buildings	(257,253)	(24,564)	-	(281,817)
Improvements other than buildings	(43,283)	(3,556)	-	(46,839)
Furniture and equipment	(267,113)	(26,698)	11,486	(282,325)
Software costs	(53,853)	(14,447)	434	(67,866)
Total accumulated depreciation/amortization	<u>(621,502)</u>	<u>(69,265)</u>	<u>11,920</u>	<u>(678,847)</u>
Total capital assets, being depreciated/amortized, net	<u>912,148</u>	<u>36,892</u>	<u>(1,661)</u>	<u>947,379</u>
Governmental activities capital assets, net	<u>\$ 4,340,101</u>	<u>\$ 415,718</u>	<u>\$ (86,007)</u>	<u>\$ 4,669,812</u>
Business-type activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 568	\$ -	\$ -	\$ 568
Total capital assets, not being depreciated	<u>568</u>	<u>-</u>	<u>-</u>	<u>568</u>
<i>Capital assets, being depreciated</i>				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	4,666	339	(201)	4,804
Total capital assets, being depreciated	<u>8,686</u>	<u>339</u>	<u>(201)</u>	<u>8,824</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,900)	(110)	8	(2,002)
Improvements other than buildings	(494)	(8)	-	(502)
Furniture and equipment	(3,954)	(298)	188	(4,064)
Total accumulated depreciation	<u>(6,348)</u>	<u>(416)</u>	<u>196</u>	<u>(6,568)</u>
Total capital assets, being depreciated, net	<u>2,338</u>	<u>(77)</u>	<u>(5)</u>	<u>2,256</u>
Business-type activities capital assets, net	<u>\$ 2,906</u>	<u>\$ (77)</u>	<u>\$ (5)</u>	<u>\$ 2,824</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 7 Continued)

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

Governmental activities:			
General government		\$	8,160
Education, support services			1,527
Health, social services			12,820
Law, justice, public safety			20,956
Recreation, resource development			5,086
Transportation			12,340
Regulation of business			877
Unallocated			1,514
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			5,985
Total depreciation/amortization expense - governmental activities		\$	69,265
Business-type activities:			
Enterprise		\$	416
Total depreciation expense - business-type activities		\$	416

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2006, was as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	\$ 76,269	\$ 115,581	\$ (55,269)	\$ 136,581
Land	65,209	4,226	(9,214)	60,221
Collections	6,552	624	1,547	8,723
Total capital assets, not being depreciated	<u>148,030</u>	<u>120,431</u>	<u>(62,936)</u>	<u>205,525</u>
Capital assets, being depreciated				
Buildings	1,298,938	43,772	28,081	1,370,791
Land and improvements	77,450	2,394	343	80,187
Machinery and equipment	246,425	36,694	(18,891)	264,228
Library books and media	89,960	7,189	(348)	96,801
Total capital assets, being depreciated	<u>1,712,773</u>	<u>90,049</u>	<u>9,185</u>	<u>1,812,007</u>
Less accumulated depreciation for:				
Buildings	(349,998)	(33,365)	(1,008)	(384,371)
Land and improvements	(55,332)	(4,052)	-	(59,384)
Machinery and equipment	(148,079)	(24,417)	17,408	(155,088)
Library books and media	(75,404)	(6,771)	346	(81,829)
Total accumulated depreciation	<u>(628,813)</u>	<u>(68,605)</u>	<u>16,746</u>	<u>(680,672)</u>
Total capital assets, being depreciated, net	<u>1,083,960</u>	<u>21,444</u>	<u>25,931</u>	<u>1,131,335</u>
Nevada System of Higher Education activity capital assets, net	\$ 1,231,990	\$ 141,875	\$ (37,005)	\$ 1,336,860

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

Note 8 - Long-Term Obligations

A. Bonds Payable

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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. 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, 2006 are comprised of the following (expressed in thousands):

	Interest Rates	Original Amount	Principal Outstanding
Governmental activities:			
<i>General obligation bonds:</i>			
Subject to Constitutional Debt Limitation	2.0-6.5%	\$ 1,338,535	\$ 902,480
Exempt from Constitutional Debt Limitation	1.6-8.5%	1,604,926	1,173,278
<i>Special obligation bonds:</i>			
Exempt from Constitutional Debt Limitation-			
Highway Improvement Revenue Bonds	4.0-6.0%	641,225	541,680
Subtotal		3,584,686	2,617,438
<i>Issuance premiums</i>		96,032	81,601
Governmental activities bonds payable		<u>3,680,718</u>	<u>2,699,039</u>
Business-type activities:			
<i>General obligation bonds:</i>			
Exempt from Constitutional Debt Limitation	2.0-6.5%	138,595	118,540
<i>Special obligation bonds:</i>			
Housing Bonds	2.6-9.45%	1,685,307	745,780
Subtotal		1,823,902	864,320
<i>Issuance premiums</i>		2,757	2,242
Business-type activities bonds payable		<u>1,826,659</u>	<u>866,562</u>
Total bonds payable		<u>\$ 5,507,377</u>	<u>\$ 3,565,601</u>

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, 2006 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,293,793	\$ 45,770	\$ (263,805)	\$ 2,075,758	\$ 110,347
Special obligation bonds	380,945	191,445	(30,710)	541,680	41,125
Subtotal	2,674,738	237,215	(294,515)	2,617,438	151,472
Issuance premiums	78,742	9,801	(6,942)	81,601	7,074
Total bonds payable	2,753,480	247,016	(301,457)	2,699,039	158,546
Obligations under capital leases	7,712	4,716	(2,562)	9,866	2,387
Compensated absences obligations	80,365	119,708	(108,019)	92,054	60,596
Arbitrage rebate liability	49	25	(74)	-	-
Certificates of participation	56,400	-	(720)	55,680	985
Governmental activities long-term obligations	<u>\$ 2,898,006</u>	<u>\$ 371,465</u>	<u>\$ (412,832)</u>	<u>\$ 2,856,639</u>	<u>\$ 222,514</u>
Business-type activities:					
Bonds payable					
General obligation bonds	\$ 120,455	\$ 1,960	\$ (3,875)	\$ 118,540	\$ 6,685
Special obligation bonds	862,966	19,000	(136,186)	745,780	8,943
Subtotal	983,421	20,960	(140,061)	864,320	15,628
Issuance premiums	2,342	49	(149)	2,242	149
Total bonds payable	985,763	21,009	(140,210)	866,562	15,777
Compensated absences obligations	1,398	2,001	(1,835)	1,564	1,005
Business-type activities long-term obligations	<u>\$ 987,161</u>	<u>\$ 23,010</u>	<u>\$ (142,045)</u>	<u>\$ 868,126</u>	<u>\$ 16,782</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(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.

C. Debt Service Requirements for Bonds

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2006, 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
2007	\$ 151,472	\$ 127,992	\$ 15,628	\$ 42,944
2008	161,761	120,560	17,677	42,104
2009	178,310	112,809	17,152	41,239
2010	179,260	104,171	17,768	40,367
2011	195,350	95,215	18,551	39,490
2012-2016	775,090	346,593	102,818	182,779
2017-2021	593,230	174,543	140,330	152,666
2022-2026	315,730	60,330	149,191	125,174
2027-2031	67,235	3,974	160,260	68,262
2032-2036	-	-	159,975	35,531
2037-2041	-	-	64,970	5,611
Total	\$ 2,617,438	\$ 1,146,187	\$ 864,320	\$ 776,167

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, 2006, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 2,339,593
Less: Bonds and leases payable as of June 30, 2006, subject to limitation	(920,737)
Remaining debt capacity	<u>\$ 1,418,856</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. Thirty-three projects were funded through the Nevada Municipal Bond Bank as of June 30, 2006, and total investments in local governments amounted to \$831,255,000.

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 amount of defeased issues at June 30, 2006 is \$662,734,000.

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

At June 30, 2006, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is \$105,081,841. At June 30, 2006, the amount available to service debt in the Highway Revenue Bonds debt service fund is \$26,233,723. At June 30, 2006, the amount available to service the debt in the Municipal Bond Bank special revenue fund is \$831,280,341.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 8 Continued)

The amount to be provided by other governments of \$161,275,000 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. Assets of the primary government acquired under such leases at June 30, 2006, have a historical cost of \$10,645,000 with accumulated depreciation of \$6,758,000.

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, 2006 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2007	\$ 2,802
2008	1,985
2009	1,297
2010	1,030
2011	958
2012-2016	2,312
2017-2021	1,402
Total minimum lease payments	11,786
Less: amount representing interest	(1,920)
Obligations under capital leases	<u>\$ 9,866</u>

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 showing no rebate due as of June 30, 2006, and changes for the fiscal year then ended is presented in Section B of this note.

K. 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 buildings). 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. 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 8 Continued)

The following schedule presents future certificates of participation payments as of June 30, 2006 (expressed in thousands):

Year Ending June 30	Principal	Interest
2007	\$ 985	\$ 2,544
2008	1,045	2,504
2009	1,110	2,461
2010	1,180	2,416
2011	1,305	2,367
2012-2016	8,625	10,871
2017-2021	9,025	8,844
2022-2026	11,085	6,887
2027-2031	17,435	3,722
2032-2036	3,885	194
Total	\$ 55,680	\$ 42,810

L. 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, 2006, there are seventeen series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$886,803,634.

M. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2006, 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 and notes payable	\$ 314,029	\$ 198,921	\$ (37,907)	\$ 475,043	\$ 13,501
Issuance premiums	3,123	9,833	(429)	12,527	250
Total bonds payable	317,152	208,754	(38,336)	487,570	13,751
Obligations under capital leases	15,339	2,604	(2,468)	15,475	2,832
Compensated absences obligations	36,579	28,240	(25,572)	39,247	27,390
Total	\$ 369,070	\$ 239,598	\$ (66,376)	542,292	43,973
Discretely presented component units of the NSHE:					
Bonds and notes payable				2,803	616
Capital leases				99	-
Compensated absences				11	11
Total				\$ 545,205	\$ 44,600

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 8 Continued)

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2006 (expressed in thousands):

Year Ending June 30	Principal	Interest
2007	\$ 13,751	\$ 22,306
2008	15,188	21,600
2009	15,196	20,976
2010	16,033	20,315
2011	16,079	18,981
2012-2016	87,405	84,083
2017-2021	89,068	63,964
2022-2026	75,437	44,488
2027-2031	82,035	26,378
2032-2036	77,378	7,077
Total	\$ 487,570	\$ 330,168

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
2007	\$ 3,425
2008	3,235
2009	3,214
2010	2,151
2011	1,932
2012-2016	3,874
Total minimum lease payments	17,831
Less: amount representing interest	(2,356)
Obligations under capital leases	\$ 15,475

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2006, 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	\$ 114,005	\$ -	\$ (1,420)	\$ 112,585	\$ 1,620
Issuance premiums	3,891	-	(246)	3,645	246
Issuance discounts	(60)	-	20	(40)	(20)
Unamortized refunding charges	(6,187)	-	348	(5,839)	(348)
Total bonds payable	111,649	-	(1,298)	110,351	1,498
Compensated absences obligations	256	26	-	282	235
Total	\$ 111,905	\$ 26	\$ (1,298)	\$ 110,633	\$ 1,733

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 8 Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,620	\$ 5,682
2008	1,705	5,579
2009	5,200	5,380
2010	5,490	5,091
2011	5,770	4,792
2012-2016	33,770	18,969
2017-2021	27,240	10,122
2022-2026	20,035	5,258
2027-2031	11,755	767
Total	<u>\$ 112,585</u>	<u>\$ 61,640</u>

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. Any government employer in the State may elect to have its regular, police and fire department employees covered by PERS.

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. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and death 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. Regular members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service. Police and firemen are eligible for retirement at age 65 with 5 years of accredited police or fire service, at age 55 with 10 years of accredited police or fire service, at age 50 with 20 years of accredited police or fire service, or at any age with 25 years of accredited service. A member who retired on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Regular members and police and firemen become fully vested as to benefits upon completion of 5 years of service.

Member 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 and 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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 9 Continued)

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, both for funding purposes and GASB disclosure purposes, 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.

Actuarially required and statutory employee and employer contribution rates, as a percentage of covered payroll, for regular and police and fire members in effect for the fiscal year ended June 30, 2006, were as follows:

	<u>Funding Basis</u>	<u>Statutory Rate</u>
Regular employees:		
Employer-pay plan	20.44%	19.75%
Employee/employer plan	10.68%	10.50%
Police and Fire employees:		
Employer-pay plan	33.24%	32.00%
Employee/employer plan	17.08%	16.50%

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

	2006			2005			2004		
	Employees' Contribution	Employers' Contribution	Total State Contribution Requirement	Employees' Contribution	Employers' Contribution	Total State Contribution Requirement	Employees' Contribution	Employers' Contribution	Total State Contribution Requirement
Primary Government	\$ 55,635	\$ 128,981	\$ 184,616	\$ 48,267	\$ 113,090	\$ 161,357	\$ 44,455	\$ 107,807	\$ 152,262
Component Units:									
Colorado River Commission	131	369	500	146	331	477	142	283	425
Nevada System of Higher Education	9,872	23,114	32,986	9,002	21,884	30,886	8,038	20,093	28,131
Total component units	10,003	23,483	33,486	9,148	22,215	31,363	8,180	20,376	28,556
Total reporting entity	\$ 65,638	\$ 152,464	\$ 218,102	\$ 57,415	\$ 135,305	\$ 192,720	\$ 52,635	\$ 128,183	\$ 180,818
Contributions as %									
of covered payroll	7%	15%	22%	7%	15%	22%	6%	16%	22%
Contributions as % of total contributions of all participating entities of \$1,084,314, \$1,006,138 and \$912,778	6%	14%	20%	6%	13%	19%	6%	14%	20%
Pension costs contributed			100%			100%			100%

Required Supplementary Information - Schedules of funding progress and employer contributions are presented in the PERS June 30, 2006, comprehensive annual financial report. PERS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

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. 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. Contributions

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 9 Continued)

and investment earnings provide benefits under the system. Legislators become fully vested as to benefits at age 60 with 8 years of service before July 1, 1985, or at age 60 with 10 years of service after July 1, 1985.

Funding Policy - 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 \$412,374 for fiscal years 2005 and 2006, which is the required biennial State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2005. \$206,187 (half) was recognized as employer contribution in the fiscal year ended June 30, 2005 and 2006. Employee contributions of \$67,860 were received in fiscal year 2005. Of the total employee contributions, \$33,930 (half) was recorded as employee contributions in fiscal year 2005 and 2006 respectively.

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, 2005, actuarial valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal cost
<i>Amortization Method:</i>	Level dollar closed
<i>Remaining Amortization Period:</i>	20 years
<i>Asset Valuation Method:</i>	Five year smoothed market
<i>Actuarial Assumptions:</i>	
<i>(Includes Inflation at 3.5% per year)</i>	
<i>Investment yield</i>	8%
<i>Projected salary increases</i>	None
<i>Retirement Age for Active Members:</i>	Age 60 and 8 years of service with service credit before July 1, 1985; age 60 and 10 years of service without service credit before July 1, 1985; Any age with 24 years of service after January 1, 1998
<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

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
2004	\$ 177	\$ 177	100%	-
2005	206	206	100%	-
2006	206	206	100%	-

LRS issues separate financial statements, which are available from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Required Supplementary Information - A schedule of funding progress is presented in the accompanying Required Supplementary Information (RSI).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 9 Continued)

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 July 2001, by the Nevada Legislature to provide a reasonable base income to justices of the Supreme Court and district judges at retirement. In 2005, the Nevada Legislature amended the retirement statutes to allow municipal court judges and justices of the peace to participate in the JRS, upon the election of the local government employing the municipal court judges and justices of the peace. At June 30, 2006, eight municipalities in Nevada had elected to participate in the JRS. 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 and district judges, and now, municipal court judges and justices of the peace, funded on an actuarial reserve basis. The JRS began with initial funding from the State of Nevada on July 20, 2001, and became effective on January 1, 2003.

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. Retiring members who began serving as a justice or judge on or after November 5, 2002 may select only the first option.

Option 1: 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. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and death benefits.

Option 2: Retiring members who were serving as a judge prior to November 5, 2002 may select the following benefit: Benefit payments are computed at 4.166% for the first five years of service and 4.166% for each additional year of service, up to total maximum of 22 years, times the member's compensation for their last year of service.

Contributions and Funding - The participating employers submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses of the JRS. 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. Since its amendment to an agent multiple employer plan, an actuarial valuation has not been performed. A valuation is expected to be prepared based upon a valuation date of 2007. Significant actuarial assumptions used in the January 1, 2006 valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal										
<i>Amortization Method:</i>	Level dollar closed										
<i>Remaining Amortization Period:</i>	31 years										
<i>Asset Valuation Method:</i>	Market value										
<i>Actuarial Assumptions:</i>											
<i>(Includes Inflation at 3.5% per year)</i>											
<i>Investment yield</i>	8%										
<i>Projected salary increases</i>	Base increases of 3% per year Longevity increases of 2% per year after four years, maximum longevity increases of 22%										
<i>Retirement Age for Active Members:</i>	Retirement rates after completion of five years of service and attainment of the following ages:										
	<table border="1"> <thead> <tr> <th><u>Age</u></th> <th><u>Rate per Age</u></th> </tr> </thead> <tbody> <tr> <td>60—64</td> <td>35%</td> </tr> <tr> <td>65—67</td> <td>50%</td> </tr> <tr> <td>68—69</td> <td>75%</td> </tr> <tr> <td>70</td> <td>100%</td> </tr> </tbody> </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>	1994 Group Annuity Mortality Table (sex distinct) 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										

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 9 Continued)

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
2004	\$ 3,078	\$ 3,078	100%	-
2005	3,363	3,363	100%	-
2006	3,580	2,649	74%	-

JRS issues separate financial statements, which are available from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Required Supplementary Information - A schedule of funding progress is presented in the accompanying Required Supplementary Information (RSI).

D. Post-Retirement Insurance Benefits

Employees of the State, who meet the eligibility requirements for retirement as outlined in sections A through C of this note and at the time of retirement are participants in the program, have the option upon retirement to continue group insurance. NAC 287.530 establishes this benefit upon the retiree. 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. Retirees assume any portion of the premium not covered by the State. The Public Employees' Benefits Program administers these insurance benefits. For the year ended June 30, 2006, there were 6,378 retirees covered at a cost of \$28,479,026, which represents 76% of total costs. The State allocates funds for payment of post retirement insurance benefits as a percentage of budgeted payroll to all State agencies. The cost of the employer contribution is recognized in the year the costs are charged. No unused funds are carried forward to the next fiscal year.

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, 2004	\$ 19,209	\$ 39,533
Claims and changes in estimates	139,499	19,937
Claim payments	(134,844)	(14,204)
Balance June 30, 2005	23,864	45,266
Claims and changes in estimates	151,617	11,189
Claim payments	(154,002)	(11,805)
Other - deposit and loss fund adjustments	-	(670)
Balance June 30, 2006	\$ 21,479	\$ 43,980

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, 2006. 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 nine public employers whose employees are covered

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 10 Continued)

under the plan. Additionally, all retirees of public employers 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, ninety-five public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' 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 the year ended June 30, 2006, the loss retention for this

policy was \$2,500,000. Liabilities in the amount \$30,792,632 as of June 30, 2006 were determined using standard actuarial techniques as estimates for the incurred but not reported losses and allocated loss adjustment expenses under the plan, adjusted for a non-working escrow deposit on-hand with the insurer as of June 30, 2006.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal 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 \$500,000 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, 2006, 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. 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 \$10,826,500 to \$33,536,300 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, 2006 total liabilities exceeded total assets by \$39,157,708. According to figures derived from actuarial estimates, the Fund is liable for approximately \$39,200,000 as of June 30, 2006 in potential claims settlements, which have

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 10 Continued)

yet to be funded through premium contributions. As Nevada Revised Statute 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 \$1,819,214 (expressed in thousands) of restricted net assets for the primary government of which \$202,363 (expressed in thousands) is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances, reserved for other and unreserved, designated, reported in nonmajor funds at June 30, 2006, are explained as follows (expressed in thousands):

	General	State Highway	Other Governmental	Total
Fund balances, reserved for other:				
Reserved for prepaid items	\$ 921	\$ 5	\$ 75	\$ 1,001
Reserved for noncurrent receivables - notes	615	-	37	652
Total fund balances, reserved for other	\$ 1,536	\$ 5	\$ 112	\$ 1,653
Fund balances, unreserved, designated, reported in nonmajor:				
Special revenue funds:				
Designated for principal preservation	\$ -	\$ -	\$ 523	\$ 523
Designated for legislatively approved allocations	-	-	9,479	9,479
Designated for approved capital projects	-	-	1,461	1,461
Total special revenue funds	-	-	11,463	11,463
Capital project funds:				
Designated for approved capital projects	-	-	39,366	39,366
Total fund balances, unreserved, designated, reported in nonmajor funds	\$ -	\$ -	\$ 50,829	\$ 50,829

C. Individual Fund Deficits**Enterprise Fund**

Nevada Magazine - The Nevada Magazine accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows a decrease in net assets of \$237,759 for the fiscal year ended June 30, 2006, resulting in net liabilities (negative net assets) of \$539,210 at June 30, 2006.

Higher Education Tuition Trust - Higher Education Tuition Trust accounts for the receipts and disbursements related to prepaid tuition contracts that allow the costs of tuition to be paid in advance of enrollment at an institution of higher education. The fund recorded a decrease in net assets of \$4,744,635 for the year ended June 30, 2006, resulting in net liabilities (negative net assets) of \$2,556,296 at June 30, 2006.

Internal Service Funds

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 \$6,846,393 for the year ended June 30, 2006, resulting in net liabilities (negative net assets) of \$39,157,708 at June 30, 2006.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

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, Special Drug Manufacturing 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 with 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 Nevada State Museum and Historical Society of Las Vegas emphasizes Southern Nevada and its relationship to the Mojave Desert in its major collections of transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, and photography. The Nevada State

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 13 Continued)

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.

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 claim. 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 ascertainable 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.

PERS - The Public Employees' Retirement System (PERS) has entered into investment funding commitments related to alternative investments to fund an additional \$308.3 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, 2006 amounted to \$28.9 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, 2006 (expressed in thousands):

For the Year Ending June 30	Amount
2007	\$ 19,683
2008	15,951
2009	11,975
2010	8,872
2011	5,260
2012-2016	9,093
2017-2021	201
2022-2026	4
Total	\$ 71,039

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, 2006, 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 14 Continued)

Rebate Arbitrage - 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) 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. Rebateable 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 different rebateable arbitrage amounts.

Construction Commitments - As of June 30, 2006, the Nevada Department of Transportation had total contractual commitments of approximately \$355.8 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total \$55.8 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) - As of June 30, 2006, 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 \$7,481,000.

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) has entered into forward contracts to purchase and sell electrical power at a specified time in the future at a guaranteed price. CRC entered into these contracts to help plan power costs for the year and to protect itself against an increase in market prices. For contracts to purchase power, it is possible that the market price before or at the specified time to purchase electrical power may be lower than the price at which CRC is committed to buy. Conversely, for contracts to sell power, it is possible that the market price on or before the specified time to sell the electrical power may be higher than the price at which CRC is obligated to sell, which would reduce the value of the contracts.

CRC has the option to make a termination payment to the various counterparties to cancel its obligation under the contract and then buy and/or sell electrical power on the open market.

CRC is also exposed to the failure of the various counterparties to fulfill their obligations under the contracts. The terms of the contracts include provisions for recovering the cost in excess of the guaranteed price from the counterparty should CRC have to procure and/or sell electrical power on the open market. Available credit ratings for counterparties range between AA+ and BBB+ when rated by Standard & Poors.

Currently, the contract pricing on the majority of CRC's forward contracts to buy and/or sell energy is such that it would be in the best interests of the counterparties to comply with the terms of the contracts, as they are favorable to the counterparties.

As a result of CRC's contracts to purchase energy in effect as of year-end, management estimates that the CRC will be obligated to purchase energy at approximately \$244,000 above forecasted market prices at the specified delivery dates in the contracts.

Management's estimate of forward contract exposure was developed with the assistance of an outside consultant (the Consultant), specializing in such forecasting. Forward contracts were "marked-to-market" by applying the forecasted forward monthly prices to the monthly quantities associated with each forward contract. CRC developed the forward price curves (see the following paragraph) and valued the forward contracts relative to the market as of June 30, 2006. Forward volatilities and interest rates were considered in the valuation process.

The forward price curves were constructed using an iterative process that started with short term power market data at the most liquid delivery points and then blended in information from term power markets and the natural gas market. Information from the natural gas market was used in conjunction with a heat rate curve model to develop forward prices for periods when contracts were not actively traded.

All of CRC's power customers are contractually obligated for electrical power purchased or sold on their behalf by CRC. These are generally "take or pay" contracts, meaning that the customer is required to make or receive payment regardless of whether or not the power is actually delivered.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 14 Continued)

In May 2005, CRC sold 110 acres in the Fort Mohave Valley transfer area for \$13,000,000. The acreage sold is part of land purchased by CRC from the federal government pursuant to the "Fort Mohave Development Law" (NRS 321 480-536) and had been carried on CRC books of account in the Fort Mohave Special Revenue Fund.

The proceeds of the sale were deposited in the Power Marketing Fund, \$7,000,000 of which was paid to the Fort Mohave Development Account and \$6,000,000 was expended in the Power Marketing Fund for operating expenses, including power purchases.

The City of Laughlin, located near the Fort Mohave Valley transfer area, in Clark County has taken the position that the proceeds from the sale should only be used for development in that area and cannot be used for any other CRC purposes. The Clark County District Attorney has published an opinion supporting this position.

Pursuant to an agreement effective March 21, 2006, CRC will not use any funds, in addition to those previously used for such

other purposes, for any purpose other than to administer the provisions of the Fort Mohave Development Law. CRC will support and testify in favor of legislation that will expressly prohibit expenditure of such funds for any other purpose and provide for appropriation of funds to replace those previously used for other purposes.

Under this agreement, the County will not bring legal action to challenge CRC's use of such funds for other than to administer the provisions of the Fort Mohave Development Law.

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. Rebatable 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, 2006:

General Obligation Bonds - \$22,000,000 Series 2006A, General Obligation (Limited Tax) Open Space, Parks and Natural Resources Bonds, due in annual installments ranging from \$840,000 to \$1,615,000 due on June 1, 2007 through 2026, plus interest ranging from 4.00% to 5.00% payable semi-annually on June 1st and December 1st, commencing December 1, 2006. The Series 2006A Bonds maturing on and after June 1, 2017 will be subject to optional redemption on and after June 1, 2016. The Series 2006A Bonds are not subject to the Constitutional Debt Limit.

\$16,000,000 Series 2006B General Obligation (Limited Tax), Natural Resources Bonds, due in annual installments ranging from \$350,000 to \$495,000 due on June 1, 2007 through 2022, plus interest ranging from 4.125% to 5.00%, payable semi-annually on June 1st and December 1st, commencing December 1, 2006. The Series 2006B Bonds maturing on and after June 1, 2017 will be subject to optional redemption on and after June 1, 2016. The 2006B Bonds maturing on June 1, 2024, June 1, 2026, June 1, 2030, and June 1, 2036 are subject to mandatory redemption prior to maturity from sinking

fund payments made ranging from \$515,000 to \$975,000 payable annually on June 1, 2023 through 2036. The Series 2006B Bonds are not subject to the Constitutional Debt Limit.

\$2,925,000 Series 2006C General Obligation (Limited Tax), Cultural Affairs Bonds, due in annual installments ranging from \$120,000 to \$215,000 due on June 1, 2007 through 2025, plus interest ranging from 4.25% to 7.00%, payable semi-annually on June 1st and December 1st, commencing December 1, 2006. The Series 2006C Bonds maturing on and after June 1, 2017 will be subject to optional redemption on and after June 1, 2016. The Series 2006C Bonds are subject to the Constitutional Debt Limit.

\$111,840,000 Series 2006D General Obligation (Limited Tax), (Revenue Supported) Water Refunding Bonds, due in annual installments ranging from \$5,255,000 to \$8,835,000 due on July 1, 2007 through 2024, plus interest ranging from 4.75% to 5.00%, payable semi-annually on January 1st and July 1st, commencing January 1, 2007. The Series 2006D Bonds maturing on and after July 1, 2017, will be subject to optional redemption on and after July 1, 2016. The Series 2006D Bonds are not subject to the Constitutional Debt Limit.

This page intentionally left blank

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

State
of
Nevada

(Note 15 Continued)

\$149,990,000 Series 2006E General Obligation (Limited Tax), Capital Improvement Bonds, due in annual installments ranging from \$6,090,000 to \$9,745,000 due on March 1, 2009 through 2025, plus interest ranging from 3.50% to 5.00%, payable semi-annually on March 1st and September 1st, commencing March 1, 2007. The Series 2006E Bonds maturing on and after March 1, 2017 will be subject to optional redemption on and after March 1, 2016. The Series 2006E Bonds are subject to the Constitutional Debt Limit.

\$12,665,000 Series 2006F General Obligation (Limited Tax), Natural Resources and Refunding Bonds, due in annual installments ranging from \$455,000 to \$415,000 due on March 1, 2007 through 2026, plus interest ranging from 4.00% to 5.00%, payable semi-annually on March 1st and September 1st, commencing March 1, 2007. The Series 2006F Bonds maturing on and after March 1, 2017 will be subject to optional redemption on and after March 1, 2016. The Series 2006F Bonds are not subject to the Constitutional Debt Limit.

\$3,305,000 Series 2006G General Obligation (Limited Tax), Safe Drinking Water Act Revolving Fund Matching Bonds, due in annual installments ranging from \$100,000 to \$245,000 due on August 1, 2007 through 2026, plus interest ranging from 4.00% to 5.00%, payable semi-annually on February 1st and August 1st, commencing February 1, 2007. The Series 2006G Bonds maturing on and after August 1, 2017 will be subject to optional redemption on and after February 1, 2017. The Series 2006G Bonds are not subject to the Constitutional Debt Limit.

Revenue Bonds - \$192,730,000 Series 2006, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, due in annual installments ranging from \$5,800,000 to \$14,390,000 due on December 1, 2007 through 2026, plus interest ranging from 3.50% to 5.00% payable semi-annually on June 1st and December 1st, commencing June 1, 2007. The Series 2006 Bonds maturing on and after December 1, 2017 will be subject to optional redemption prior to maturity.

Certificates of Participation - \$5,760,000, Lease Revenue Certificates of Participation (Legislative Counsel Bureau Project), Series 2006, due in annual installments ranging from \$90,000 to \$360,000 due on April 1, 2008 through 2026, plus interest ranging from 4.00% to 4.375% payable semi-annually on April 1st and October 1st, commencing April 1, 2007. The 2006 Certificates maturing on and after April 1, 2017 will be subject to optional redemption on and after April 1, 2016. The 2006 Certificates maturing on April 1, 2029, are subject to mandatory prepayment prior to maturity from sinking fund payments ranging from \$375,000 to \$210,000 payable annually on April 1, 2027 through 2029.

Arbitration Award - The State and its Public Works Board were involved in an Arbitration over construction of a veterans' home. In July 2006, payments in the amount of \$9,483,407 were made pursuant to an arbitration award. As this award was finalized in June 2006, this amount has been recorded in accounts payable as of June 30, 2006.

Note 16 - Accounting Changes and Restatements

During fiscal year 2006, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 44, Economic Condition Reporting: The Statistical Section, (an amendment of NCGA Statement 1). This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by Statement 34. The Statement also adds new information that users have identified as important and eliminates certain previous requirements.

The State also implemented GASB Statement No 46, Net Assets Restricted by Enabling Legislation (an Amendment of GASB Statement No. 34). This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government - such as citizens, public interest groups, or the judiciary - can compel a government to honor. GASB 46 also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. This disclosure has been added to Note 11.

Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2006 (Expressed in Thousands)

	General Fund				State Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Sources of Financial Resources								
Fund balances, July 1	\$ 794,969	\$ 794,969	\$ 794,969	\$ -	\$ 297,482	\$ 297,482	\$ 297,482	\$ -
Revenues:								
Sales taxes	950,335	950,335	1,005,054	54,719	-	-	-	-
Gaming taxes, fees, licenses	923,239	923,239	956,009	32,770	-	-	-	-
Intergovernmental	1,437,303	1,715,479	1,411,332	(304,147)	232,662	233,105	224,484	(8,621)
Other taxes	971,344	983,192	1,058,261	75,069	306,285	306,399	314,451	8,052
Sales, charges for services	200,660	168,386	155,646	(12,740)	23,736	25,690	18,043	(7,647)
Licenses, fees and permits	404,236	416,272	393,021	(23,251)	160,803	164,038	175,278	11,240
Interest	22,777	27,382	41,153	13,771	6,015	6,040	15,084	9,044
Other	337,530	232,569	231,317	(1,252)	16,576	22,572	59,366	36,794
Other financing sources:								
Proceeds from sale of bonds	-	5,039	5,039	-	200,000	200,000	199,315	(685)
Transfers	213,603	281,708	220,999	(60,709)	14,036	11,966	14,118	2,152
Reversions from other funds	-	-	2,200	2,200	-	-	-	-
Total sources	6,255,996	6,498,570	6,275,000	(223,570)	1,257,595	1,267,292	1,317,621	50,329
Uses of Financial Resources								
Expenditures and encumbrances:								
Constitutional agencies	426,151	430,705	381,521	49,184	-	-	-	-
Finance and administration	270,368	103,335	94,344	8,991	-	-	-	-
Education	2,116,760	2,240,427	1,994,134	246,293	-	-	-	-
Human services	2,309,561	2,416,190	2,178,339	237,851	-	-	-	-
Commerce and industry	145,450	167,150	103,234	63,916	-	-	-	-
Public safety	352,617	465,822	365,459	100,363	177,024	182,128	170,535	11,593
Infrastructure	302,799	340,157	158,583	181,574	692,160	916,163	742,897	173,266
Special purpose agencies	26,109	29,579	25,181	4,398	-	-	-	-
Other financing uses:								
Transfers to other funds	132,417	159,631	159,631	-	74,770	75,049	75,049	-
Reversions to other funds	-	-	2,318	(2,318)	-	-	123	(123)
Projected reversions	(55,340)	(55,340)	-	(55,340)	-	-	-	-
Total uses	6,026,892	6,297,656	5,462,744	834,912	943,954	1,173,340	988,604	184,736
Fund balances, June 30	\$ 229,104	\$ 200,914	\$ 812,256	\$ 611,342	\$ 313,641	\$ 93,952	\$ 329,017	\$ 235,065

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
\$ -	\$ -	\$ -	\$ -	\$ 130,468	\$ 130,468	\$ 130,468	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
92,283	92,283	69,620	(22,663)	-	350	317	(33)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	37,000	64,749	64,748	(1)
-	-	-	-	-	-	-	-
92,283	92,283	69,620	(22,663)	167,468	195,567	195,533	(34)
-	-	-	-	7,466	10,249	2,584	7,665
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,008	1,153	140	1,013
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
92,283	92,283	69,598	22,685	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
92,283	92,283	69,598	22,685	8,474	11,402	2,724	8,678
\$ -	\$ -	\$ 22	\$ 22	\$ 158,994	\$ 184,165	\$ 192,809	\$ 8,644

**Notes to Required Supplementary Information
Budgetary Reporting**

State
of
Nevada

For the Fiscal Year Ended June 30, 2006

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 12 are reported instead of the amounts disclosed in the original budget. The September 12, 2006 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, 2006 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):

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>	<u>Stabilize the Operations of State Government</u>
Fund balances (budgetary basis) June 30, 2006	\$ 812,256	\$ 329,017	\$ 22	\$ 192,809
Adjustments:				
<i>Basis differences:</i>				
Petty cash or outside bank accounts	3,421	176	-	-
Investments not recorded on the budgetary basis	19,096	-	831,255	-
Accrual of certain other receivables	108,793	9,339	15	49,319
Inventory	-	4,446	-	-
Advances to other funds	15,405	9	-	-
Deferred charges and other assets	(3,157)	-	-	-
Accrual of certain accounts payable and other liabilities	(230,027)	(1,101)	-	-
Accrual of longevity pay	(1,366)	(198)	-	-
Deferred revenues	(208,988)	-	-	-
Encumbrances	7,039	2,100	-	-
Other	(976)	(315)	(12)	(8)
Fund balances (GAAP basis) June 30, 2006	<u>\$ 521,496</u>	<u>\$ 343,473</u>	<u>\$ 831,280</u>	<u>\$ 242,120</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2006, 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)	\$ 812,256
Restricted funds	<u>(413,310)</u>
Unrestricted fund balance (budgetary basis)	<u>\$ 398,946</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**

State
of
Nevada

For the Fiscal Year Ended June 30, 2006

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 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
2001	\$ 5,399	\$ 3,812	\$ 1,587	71%	\$ 476	333%
2003	5,642	4,060	1,582	72%	484	327%
2005	5,862	4,101	1,760	70%	452	389%

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 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
2004	\$ 38,737	\$ 14,833	\$ 23,904	38%	\$ 6,823	350%
2005	44,360	19,711	24,650	44%	7,889	313%
2006	49,667	26,090	23,577	53%	9,166	257%

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.

Schedule of Infrastructure Condition and Maintenance Data

State of Nevada

For the Fiscal Year Ended June 30, 2006

The State has adopted the modified approach for reporting infrastructure assets under a single roadway network that includes both roads and bridges. Under this approach, the State expends certain maintenance and preservation costs and does not report depreciation expense. The roadway network accounted for under the modified approach includes the combination of approximately 5,300 centerline miles of roads and approximately 1,000 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. 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 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%
Actual results of 2001 condition assessment	83%	77%	86%	65%	19%

Condition Level of the Bridges

	Percentage of substandard bridges		
	2005	2003	2001
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	3%	5%	6%

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)				
	2006	2005	2004	2003	2002
Estimated	\$ 207,751	\$ 153,148	\$ 338,180	\$ 324,525	\$ 255,575
Actual	\$ 196,080	\$ 151,363	\$ 288,315	\$ 306,149	\$ 135,898

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 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, 2006, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 15, 2006 (except for the information contained on pages 73 through 174, as to which the date is February 16, 2007). 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 and the Public Employees' Retirement and the Legislators' Retirement Pension Trust Funds, 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 Self Insurance and Insurance Premiums Internal Service Funds and the Public Employees' Retirement and the Legislators' Retirement Pension Trust Funds 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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
December 15, 2006



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, 2006. 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 December 15, 2006 (except for the information contained on pages 73 through 174, as to which the date is February 16, 2007), 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, 2006. 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 Finding numbers 06-7 and 06-11.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Finding numbers 06-1 through 06-6, 06-8 through 06-10 and 06-12 through 06-14.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

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
February 16, 2007

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Research and Development CLUSTER				
Department of Agriculture				
Agricultural Research_Basic and Applied Research	10.001	58-5325-1-486	\$ 58,970	\$ -
Agricultural Research_Basic and Applied Research	10.001	58-5325-5-691	15,457	-
Agricultural Research_Basic and Applied Research	10.001	R4 22-CA-99-032	152,473	-
			226,900	-
Rural Development, Forestry, and Communities	10.672	03-DG-11010000-32	13,030	-
Rural Development, Forestry, and Communities	10.672	03-DG-11046000-017	60,731	23,100
Rural Development, Forestry, and Communities	10.672	03-DG-11046000-055	26,000	26,000
Rural Development, Forestry, and Communities	10.672	04-DG-11010000-034	43,006	-
			142,767	49,100
			369,667	49,100
Total Department of Agriculture				
Department of the Interior				
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2001	7,099	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2002	225,000	225,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2003	33,897	7,490
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2004	314,097	69,905
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	71,530	-
			651,623	302,395
			651,623	302,395
Total Department of the Interior				
Department of Justice				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2005-DN-BX-0054	16,528	-
			16,528	-
Total Department of Justice				
Department of Transportation				
State Planning and Research	20.515	NV-26-0002	20,767	-
State Planning and Research	20.515	NV-80-X011	28,493	28,493
State Planning and Research	20.515	NV-80-X012-00	184,791	184,791
State Planning and Research	20.515	NV-80-X013-00	44,554	44,554
			278,605	257,838
			278,605	257,838
Total Department of Transportation				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Environmental Protection Agency				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-97958101-1	\$ 15,000	-
Surveys, Studies, Investigations and Special Purpose Grants	66.606	X-97966201	70,165	-
			85,165	-
Total Environmental Protection Agency				
Department of Health and Human Services				
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	1 STTMP051009-01	22,618	-
Primary Care Services_Resource Coordination and Development	93.130	2 U68CS00199-19	161,672	-
Primary Care Services_Resource Coordination and Development	93.130	6 U68CS00199-20-01	46,066	-
			207,738	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	U17/CCU917815-05	8,118	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	U17/CCU924825-01	69,619	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	VF1/CCV919944-01	52,168	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	VF1/CCV919944-04	94,991	69,630
Injury Prevention and Control Research and State and Community Based Programs	93.136	VF1/CCV919944-05	145,592	105,574
			370,488	175,204
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-12	124,135	122,530
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-13	191,367	61,343
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-92044/9-01	301,536	234,152
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-93035/9-02	72,966	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-93035/9-03	64,278	31,600
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	18-P-91570/9-01	40,091	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	18-P-91574/9-01	464,935	63,934

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LACMS300023/01	15,132	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	95-P-93004/09-01	32,294	-
Total Department of Health and Human Services			1,306,734	513,559
Total Research and Development CLUSTER			1,907,578	688,763
Department of Agriculture			3,309,166	1,298,096
Child Nutrition CLUSTER				
School Breakfast Program	10.553	7F9077 (sub)	2,857	-
School Breakfast Program	10.553	7NV300NV3	11,565,790	11,406,564
			11,568,647	11,406,564
National School Lunch Program	10.555	7F8077 (sub)	3,565	-
National School Lunch Program	10.555	7F9077 (sub)	1,581	-
National School Lunch Program	10.555	7NV300NV3	48,446,016	48,188,556
			48,451,162	48,188,556
Special Milk Program for Children	10.556	7NV300NV3	113,343	113,343
Summer Food Service Program for Children	10.559	7NV300NV3	798,865	747,729
			60,932,017	60,456,192
Total Child Nutrition CLUSTER				
Emergency Food Assistance CLUSTER				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	347,639	146,873
Emergency Food Assistance Program (Food Commodities)	10.569	SFY 01	1,378,913	1,370,499
			1,726,552	1,517,372
Total Emergency Food Assistance CLUSTER				
Food Stamp CLUSTER				
Food Stamps	10.551	SFY 06	124,788,042	-
State Administrative Matching Grants for Food Stamp Program	10.561	7NV4004NV	12,834,073	-
			137,622,115	-
Total Food Stamp CLUSTER				
Schools and Roads CLUSTER				
Schools and Roads_Grants to States	10.665	N/A	483,469	483,469
			483,469	483,469
Total Schools and Roads CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	957,701	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1258-CA	28,998	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1296-CA	46,970	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1318-CA	14,283	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1319-CA	32,815	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1333-CA	17,849	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-8576-0016-CA	88,227	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-8576-0526-CA	22,254	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-8576-0596-CA	46,093	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-8576-0834-CA	15,701	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1374-CA	44,030	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1447-CA	80,335	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1456-CA	13,613	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1541 CA	32,947	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0016-CA	35,118	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0526-CA	100	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0596-CA	27,728	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0834-CA	4,572	-
			1,509,334	-
Wildlife Services (Animal Damage Control)	10.028	03-71-00-0105-GR	16,354	-
Wildlife Services (Animal Damage Control)	10.028	04-73-32-5788-GR	8,875	-
Wildlife Services (Animal Damage Control)	10.028	05-73-32-5404-CA	27,591	-
Wildlife Services (Animal Damage Control)	10.028	05-73-32-5788-GR	17,763	-
			70,583	-
Federal-State Marketing Improvement Program	10.156	12-25-G-0429	17,419	17,419
Inspection Grading and Standardization	10.162	FFY05	116	-
Inspection Grading and Standardization	10.162	FFY06	140	-
			256	-
Market Protection and Promotion	10.163	12-25-A-4366	140	-
Market Protection and Promotion	10.163	12-25-A-4418	478	-
Market Protection and Promotion	10.163	12-25-A-4583	394	-
Market Protection and Promotion	10.163	12-25-A-4623	161	-
			1,173	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number	\$	\$
Homeland Security_Agricultural	10.304	K007797-15	21,894	-
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287 FFY05	16,909	-
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287 FFY06	15,612	-
			32,521	-
Food Donation	10.550	SFY00	4,829,398	4,760,630
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	26,957,744	8,133,102
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	SA-5-2-3 GEN	78,127	31,775
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	SA-6-2-3 GEN	35,083	29,798
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIEB-04-NV-01	19,923	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIEB-05-NV	9,585	9,585
			27,100,462	8,204,260
Child and Adult Care Food Program	10.558	7NV300NV3	4,103,580	4,065,487
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	98,063	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NV2	567,503	-
			665,566	-
Commodity Supplemental Food Program	10.565	7NV810NV1	1,816,613	1,716,581
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	171,433	-
Food Distribution Program on Indian Reservations	10.567	NONCASH ASSISTANCE	223,883	-
			395,316	-
Senior Farmers Market Nutrition Program	10.576	PID 0206-02	6,282	-
Senior Farmers Market Nutrition Program	10.576	WISF-04-NV-1	125,953	125,953
Senior Farmers Market Nutrition Program	10.576	WISF-05-NV-1	158,964	158,964
			291,199	284,917
Cooperative Forestry Assistance	10.664	01-DG-11046000-022	49,061	48,119
Cooperative Forestry Assistance	10.664	02-DG-11046000-035	165,163	150,755
Cooperative Forestry Assistance	10.664	03-CA-11046000-019	97,988	-
Cooperative Forestry Assistance	10.664	03-DG-11046000-26	385,162	364,983
Cooperative Forestry Assistance	10.664	04-CA-11046000-052	16,416	-
Cooperative Forestry Assistance	10.664	04-DG-11010000-030	115,514	-
Cooperative Forestry Assistance	10.664	04-DG-11010000-049	18,701	13,334
Cooperative Forestry Assistance	10.664	04-DG-11046000-027	24,180	24,180

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Number	Expenditures	Payments to Subrecipients
	Number	Through Number				
Cooperative Forestry Assistance	10.664	04-DG-11046000-25			\$ 1,039,416	\$ 818,281
Cooperative Forestry Assistance	10.664	05-DG-11046000-051			1,112,126	144,253
Cooperative Forestry Assistance	10.664	05-DG-11046000-065			67,300	67,300
					3,091,027	1,631,205
National Forest_Dependent Rural Communities	10.670	01-DG-11041730-042			27,581	-
Forest Land Enhancement Program	10.677	03-DG-11046000-051			10,709	9,211
Forest Land Enhancement Program	10.677	05-DG-11046000-013			21,634	21,634
					32,343	30,845
Total Department of Agriculture					244,770,418	83,168,377
Department of Defense						
Procurement Technical Assistance for Business Firms	12.002	SP4800-03-2-0338			414,279	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	NV04-1 W9128F-04-2-0137			168,313	-
Military Construction, National Guard	12.400	W9124X-05 22001 (03-P05)			171,267	-
Military Construction, National Guard	12.400	W9124X-05 22001 (05-C13)			6,705,932	-
					6,877,199	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NINNN)			6,318,253	-
					13,778,044	-
Total Department of Defense						
Department of Housing and Urban Development						
Community Development Block Grants/State's Program	14.228	B-03-DC-32-0001			43,324	43,324
Community Development Block Grants/State's Program	14.228	B-04-DC-32-0001			2,244,160	2,055,968
					2,287,484	2,099,292
Emergency Shelter Grants Program	14.231	S03-DC-32-0001			310,999	310,999
Supportive Housing Program	14.235	NV01C100001			205,777	-
Shelter Plus Care	14.238	NV01C200001			223,381	-
Shelter Plus Care	14.238	NV01C400016			703,350	-
Shelter Plus Care	14.238	NV01C401002			56,249	-
Shelter Plus Care	14.238	NV01C401008			307,381	-
Shelter Plus Care	14.238	NV39C93-1051			136,887	-
					1,427,248	-
HOME Investment Partnerships Program	14.239	M00-SG320100			33,500	33,500
HOME Investment Partnerships Program	14.239	M01-SG320100			92,750	79,915
HOME Investment Partnerships Program	14.239	M02-SG320100/02			1,172,299	635,808
HOME Investment Partnerships Program	14.239	M03-SG320100			777,523	235,695

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
HOME Investment Partnerships Program	14.239	M04-SG320100	\$ 349,696	-
HOME Investment Partnerships Program	14.239	M05-SG320100	78,000	-
			<u>2,503,768</u>	<u>984,918</u>
Housing Opportunities for Persons with AIDS	14.241	NVH04-F999	164,077	156,937
Housing Opportunities for Persons with AIDS	14.241	NVH05-F999	155,229	155,229
			<u>319,306</u>	<u>312,166</u>
Total Department of Housing and Urban Development			<u>7,054,582</u>	<u>3,707,375</u>
Department of the Interior				
Fish and Wildlife CLUSTER				
Sport Fish Restoration	15.605	F-20-41	1,391,637	-
Sport Fish Restoration	15.605	F-27-B-1(sub)	17,763	-
Sport Fish Restoration	15.605	F-27-B-57	8,551	-
Sport Fish Restoration	15.605	F-27-B-58	3,465	-
Sport Fish Restoration	15.605	F-30-AE-17	251,595	-
Sport Fish Restoration	15.605	F-32-D-14	1,574	-
Sport Fish Restoration	15.605	F-32-D-15	1,542,984	-
Sport Fish Restoration	15.605	F-35-D-4	10,367	-
Sport Fish Restoration	15.605	F-38-D-2	350,000	-
Sport Fish Restoration	15.605	FW-1-CP-6	5,874	-
Sport Fish Restoration	15.605	FW-20-L-7	45,077	-
Sport Fish Restoration	15.605	FW-3-T-23	58	-
Sport Fish Restoration	15.605	FW-3-T-24	176,338	-
Sport Fish Restoration	15.605	FW-4-D-11	40	-
Sport Fish Restoration	15.605	FW-4-D-12	128,313	-
			<u>3,933,636</u>	<u>-</u>
Wildlife Restoration	15.611	FW-1-CP-6	5,874	-
Wildlife Restoration	15.611	FW-20-L-7	67,616	-
Wildlife Restoration	15.611	FW-3-T-24	371,127	-
Wildlife Restoration	15.611	FW-4-D-11	242	-
Wildlife Restoration	15.611	FW-4-D-12	756,606	-
Wildlife Restoration	15.611	W-48-R-37	1,113,244	-
Wildlife Restoration	15.611	W-58-D-16	469,787	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number			
Wildlife Restoration	15.611	W-61-D-9		\$ 112,721	\$ -
Wildlife Restoration	15.611	W-64-R-6		300,000	-
				<u>3,197,217</u>	-
Total Fish and Wildlife CLUSTER				<u>7,130,853</u>	-
Cultural Resource Management	15.224	FAA000008		77,295	-
Cultural Resource Management	15.224	FAA030036		22,382	-
Cultural Resource Management	15.224	FAA050027		28,632	-
				<u>128,309</u>	-
Distribution of Receipts to State and Local Governments	15.227	SFY 06		7,876,521	7,876,521
Fish, Wildlife and Plant Conservation Resource Management	15.231	05FG204068		50,000	-
Abandoned Mine Land Reclamation (AMLR) Program	15.252	FAA050037		60,000	-
Water Reclamation and Reuse Program	15.504	03-FG-200028		1,329	-
Water Reclamation and Reuse Program	15.504	04-FG-202039		466,272	-
Water Reclamation and Reuse Program	15.504	04-FG-204014		89,464	-
Water Reclamation and Reuse Program	15.504	04-FG-204017		54,354	-
Water Reclamation and Reuse Program	15.504	04-FG-204060		23,369	-
				<u>634,788</u>	-
Fish and Wildlife Management Assistance	15.608	143201-J240		78,654	-
Fish and Wildlife Management Assistance	15.608	143204-J352		4,661	-
				<u>83,315</u>	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-21		126,820	-
Cooperative Endangered Species Conservation Fund	15.615	E-10-HP-1		55,054	-
Cooperative Endangered Species Conservation Fund	15.615	E-3-CC-1		344	-
Cooperative Endangered Species Conservation Fund	15.615	E-4-SH-1		1,721	-
Cooperative Endangered Species Conservation Fund	15.615	EP-3-13		2,438	-
Cooperative Endangered Species Conservation Fund	15.615	EP-3-14		1,075	-
Cooperative Endangered Species Conservation Fund	15.615	EW-3-7		17,714	-
Cooperative Endangered Species Conservation Fund	15.615	NV-E-5-TP-1		2,970	2,970
Cooperative Endangered Species Conservation Fund	15.615	NV-E-6-TP-1		4,863	4,863
Cooperative Endangered Species Conservation Fund	15.615	NV-E-7-HP-1		26,500	26,500
				<u>239,499</u>	<u>34,333</u>
Clean Vessel Act	15.616	V-5-D-1		17,228	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Hunter Education and Safety Program	15.626	W-51-HS-31	323,694	-
Hunter Education and Safety Program	15.626	W-66-E-1	79,914	-
			403,608	
Landowner Incentive	15.633	I-1-1	64,883	-
State Wildlife Grants	15.634	FW-3-T-24	62,605	-
State Wildlife Grants	15.634	R-3-1	13,992	-
State Wildlife Grants	15.634	T-1-1	954,519	-
State Wildlife Grants	15.634	T-2-1	169,335	-
			1,200,451	
Historic Preservation Fund Grants-In-Aid	15.904	32-04-19329	67,564	67,564
Historic Preservation Fund Grants-In-Aid	15.904	32-05-20430	309,662	46,020
Historic Preservation Fund Grants-In-Aid	15.904	32-05-20430 (6)	8,740	-
Historic Preservation Fund Grants-In-Aid	15.904	32-06-21531	134,136	-
			520,102	113,584
			18,409,557	8,024,438
Total Department of the Interior				
Department of Justice				
Law Enforcement Assistance_Narcotics and Dangerous Drugs Training	16.004	1600906	17,000	-
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2002-RE-CX-0050	344,762	9,181
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2002-RE-CX-0054	700,635	-
			1,045,397	9,181
Juvenile Accountability Incentive Block Grants	16.523	02-JB-VX-0032	24,612	-
Juvenile Accountability Incentive Block Grants	16.523	03-JB-BX-0004	243,431	124,747
Juvenile Accountability Incentive Block Grants	16.523	04-JB-BX-0065	239,522	239,522
Juvenile Accountability Incentive Block Grants	16.523	05-JB-FX-0043	90,080	90,080
			597,645	454,349
Enhanced Training and Services to End Violence and Abuse of Women Later In Life	16.528	2004-EW-AX-K002	85,092	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2004-JF-FX-0052	173,247	7,919
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2004-JF-FX-0070	19,459	19,459
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2005-JF-FX-0026	283,726	255,450
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2005-JF-FX-0068	158,500	158,500
			634,932	441,328
Title V_Delinquency Prevention Program	16.548	2004-JP-FX-0015	87,500	82,500

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures		Payments to Subrecipients
			\$	\$	
National Criminal History Improvement Program (NCHIP)	16.554	04-NCHIP-004	108,490	-	-
National Criminal History Improvement Program (NCHIP)	16.554	05-NCHIP-002	145,533	-	-
National Criminal History Improvement Program (NCHIP)	16.554	2004-RU-BX-K033	295,266	-	-
			549,289	-	-
Crime Victim Assistance	16.575	03-VA-GX-0033	2,733,680	2,733,680	
Crime Victim Assistance	16.575	04-VA-GX-0063	203,328	122,953	
			2,937,008	2,856,633	
Crime Victim Compensation	16.576	2005-VC-GX-0040	349,829	-	-
Crime Victim Compensation	16.576	2006-VC-GX-0055	640,043	-	-
			989,872	-	-
Edward Byrne Memorial Formula Grant Program	16.579	02-DB-BX-0032	45,241	24,982	
Edward Byrne Memorial Formula Grant Program	16.579	03-DB-BX-001	475,252	155,983	
Edward Byrne Memorial Formula Grant Program	16.579	03-NC-045	43,887	-	-
Edward Byrne Memorial Formula Grant Program	16.579	2004-DB-BX-0049	124,147	99,388	
			688,527	280,353	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2003-DD-BX-1007	60,085	48,363	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004-PM-BX-0015	324,414	323,597	
			384,499	371,960	
Drug Court Discretionary Grant Program	16.585	2002-DC-BX-0008	137,457	-	-
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	96-CV-VX-0032	20,715	-	-
Violence Against Women Formula Grants	16.588	2002-WF-VX-0043	48,477	48,480	
Violence Against Women Formula Grants	16.588	2003-WF-BX-0215	52,416	52,416	
Violence Against Women Formula Grants	16.588	2004-WF-AX-0037	392,135	316,932	
Violence Against Women Formula Grants	16.588	2005-WF-AX-0023	600,597	-	-
			1,093,625	417,828	
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	2004-WR-AX-0052	140,793	9,731	
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	98-WR-VX-0018	8,035	-	-
			148,828	9,731	
Grants to Encourage Arrest Policies	16.590	2004-WE-AX-0023	118,327	-	-
Grants to Encourage Arrest Policies	16.590	97-WE-VX-0106	39,279	11,992	
			157,606	11,992	

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Residential Substance Abuse Treatment for State Prisoners	16.593	02-RT-BX-0005	16.593		28,997	-
Residential Substance Abuse Treatment for State Prisoners	16.593	03-RT-BX-0017	16.593		227,377	-
Residential Substance Abuse Treatment for State Prisoners	16.593	05-RT-BX-0001	16.593		245,257	-
Residential Substance Abuse Treatment for State Prisoners	16.593	FY05	16.593		432,634	-
					934,265	-
State Criminal Alien Assistance Program	16.606	2004-F0842-NV-AP	16.606		2,412,064	-
Bulletproof Vest Partnership Grant	16.607	04-BVP-004	16.607		602	-
Bulletproof Vest Partnership Grant	16.607	04-BVP-005	16.607		405	-
Bulletproof Vest Partnership Grant	16.607	05-BVP-002	16.607		1,862	-
Bulletproof Vest Partnership Grant	16.607	05-BVP-008	16.607		225	-
Bulletproof Vest Partnership Grant	16.607	FY04	16.607		2,708	-
					5,802	-
Community Prosecution and Project Safe Neighborhoods	16.609	2003-GP-CX-0189	16.609		184,985	140,581
State and Local Anti-Terrorism Training	16.614	02-NC-052	16.614		8,998	-
Public Safety Partnership and Community Policing Grants	16.710	2000-CK-WX-0150	16.710		58,745	-
Police Corps Program	16.712	NPC-01	16.712		94,560	18,750
Enforcing Underage Drinking Laws Program	16.727	2004-AH-FX-0030	16.727		355,211	338,200
Enforcing Underage Drinking Laws Program	16.727	2004-AH-FX-0052	16.727		306,936	305,627
					662,147	643,827
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0018	16.738		2,339,327	1,843,982
					16,275,885	7,582,995
Total Department of Justice						
Department of Labor						
Employment Services CLUSTER						
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-13067-03-55	17.207		114	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-14009-04-55	17.207		1,508,582	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-14878-05-55	17.207		4,253,323	-
Employment Service/Wagner-Peyser Funded Activities	17.207	X-5027-5-00-80-60	17.207		535,917	-
					6,297,936	-
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-5-5087	17.801		166,243	-
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-6-5087	17.801		500,890	-
					667,133	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures		Payments to Subrecipients
			\$	\$	
Local Veterans' Employment Representative Program	17.804	E-9-5-5087	174,416	-	-
Local Veterans' Employment Representative Program	17.804	E-9-5-6-5087	442,891	-	-
			617,307	-	-
			7,582,376	-	-
Total Employment Services CLUSTER					
WIA CLUSTER					
WIA Adult Program	17.258	AA-12938-03-50	115,350	81,159	81,159
WIA Adult Program	17.258	AA-13811-04-50	804,225	386,998	386,998
WIA Adult Program	17.258	AA-14688-05-55	4,290,664	3,875,949	3,875,949
WIA Adult Program	17.258	AG60008	94,215	-	-
			5,304,454	4,344,106	4,344,106
WIA Youth Activities	17.259	AA-12938-03-50	119,581	84,698	84,698
WIA Youth Activities	17.259	AA-13811-04-50	917,164	810,177	810,177
WIA Youth Activities	17.259	AA-14688-05-55	3,728,898	3,309,516	3,309,516
WIA Youth Activities	17.259	AA-15492-06-55	11,420	-	-
			4,777,063	4,204,391	4,204,391
WIA Dislocated Workers	17.260	AA-12938-03-50	191,265	140,518	140,518
WIA Dislocated Workers	17.260	AA-13811-04-50	534,805	118,881	118,881
WIA Dislocated Workers	17.260	AA-14688-05-55	3,495,354	2,440,996	2,440,996
WIA Dislocated Workers	17.260	AA-14953-05-60	296,015	-	-
WIA Dislocated Workers	17.260	AG60008	8,657	-	-
			4,526,096	2,700,395	2,700,395
Total WIA CLUSTER			14,607,613	11,248,892	11,248,892
Labor Force Statistics	17.002	W9J58032/05	224,430	-	-
Labor Force Statistics	17.002	W9J58032/06	656,830	-	-
			881,260	-	-
Labor Certification for Alien Workers	17.203	ES-14009-04-55	2,291	-	-
Labor Certification for Alien Workers	17.203	ES-14878-05-55	9,855	-	-
			12,146	-	-
Unemployment Insurance	17.225	U. I. Trust Fund	247,307,254	-	-
Unemployment Insurance	17.225	UI-13560-04-55	121,915	-	-
Unemployment Insurance	17.225	UI-14447-05-55	10,053,016	-	-
Unemployment Insurance	17.225	UI-15133-06-55	12,925,263	-	-
			270,407,448	-	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number	\$	\$
Senior Community Service Employment Program	17.235	AD-14095-04-60	448,351	444,826
Trade Adjustment Assistance	17.245	TA-12704-03-55	21,273	-
Trade Adjustment Assistance	17.245	TA-13507-04-55	73,551	-
Trade Adjustment Assistance	17.245	TA-14392-05-55	1,236	-
Trade Adjustment Assistance	17.245	TA-15315-06-55	38,029	-
Trade Adjustment Assistance	17.245	UI-14447-05-55	115,141	-
Trade Adjustment Assistance	17.245	UI-15133-06-55	35,648	-
			284,878	-
Incentive Grants - WIA Section 503	17.267	AA-14922-05-55	533,768	-
Occupational Safety and Health_State Program	17.503	60F5-0093	12,500	-
Occupational Safety and Health_State Program	17.503	60F6-0093	1,089,000	-
			1,101,500	-
Consultation Agreements	17.504	E9F6-0993	587,000	-
Consultation Agreements	17.504	W9F6-37933	341	-
			587,341	-
Mine Health and Safety Grants	17.600	E4R4002525	20,266	-
Mine Health and Safety Grants	17.600	E4R5002525	125,829	-
Mine Health and Safety Grants	17.600	E4R6002525	215,367	-
Mine Health and Safety Grants	17.600	W9J68132	28,478	-
			389,940	-
Transition Assistance Program	17.807	E-9-5-5-5087	6,010	-
Transition Assistance Program	17.807	E-9-5-6-5087	19,801	-
			25,811	-
Total Department of Labor			296,862,432	11,693,718
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Capital Investment Grants	20.500	NV-03-0026-00	10,967	10,967
Federal Transit_Formula Grants	20.507	NV-90-X042-00	421,751	-
			432,718	10,967
Total Federal Transit CLUSTER				
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	SFY 06	220,857,860	22,750,978
			220,857,860	22,750,978

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Highway Safety Cluster				
State and Community Highway Safety	20.600	26-163PT-3	\$ 10,085	-
State and Community Highway Safety	20.600	US DOT FFY03	3,152	3,152
State and Community Highway Safety	20.600	US DOT FFY04	135,339	135,339
State and Community Highway Safety	20.600	US DOT FFY05	103,650	96,850
State and Community Highway Safety	20.600	US DOT FFY06	840,376	840,376
			1,092,602	1,075,717
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	26-JF-1.6	63,760	-
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	US DOT FFY05	390,799	390,799
Total Highway Safety Cluster				
Airport Improvement Program	20.106	3-32-000-003-04	1,547,161	1,466,516
Airport Improvement Program	20.106	3-32-000-004-05	133,304	-
Airport Improvement Program	20.106	NDOT/Airport Improvement Program	35,340	-
			6,750	-
			175,394	-
National Motor Carrier Safety	20.218	CD-02-32-1	219,344	-
National Motor Carrier Safety	20.218	MC-05-32-1	664,291	-
National Motor Carrier Safety	20.218	MC-06-32-1	383,427	-
National Motor Carrier Safety	20.218	MN-05-32-1	121,777	-
			1,388,839	-
Recreational Trails Program	20.219	NRT-0001 (001)-2004	211,671	174,777
Recreational Trails Program	20.219	NRT-0001 (001)-2005	103,616	77,394
Recreational Trails Program	20.219	NRT-0004 (001)-2002	32,150	32,150
Recreational Trails Program	20.219	NRT-0005 (001)-2003	188,655	188,655
			536,092	472,976
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X022-01	393	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X023-00	414,673	328,357
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	874,132	767,616
			1,289,198	1,095,973
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0030-01	3,669	3,033
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0031-00	34,632	34,632
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0032	460,986	460,986
			499,287	498,651

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Job Access_Reverse Commute	20.516	NV-37-X005-00	44,466	44,466
Job Access_Reverse Commute	20.516	NV-37-X006-00	393,832	393,832
			438,298	438,298
Pipeline Safety	20.700	DOT-GB-00026	50,000	-
Pipeline Safety	20.700	DOT-GB-10026	521	-
Pipeline Safety	20.700	DOT-GB-50026	231,656	-
			282,177	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV4008120	29,425	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV5008130	82,321	-
			111,746	-
			227,558,770	26,734,359
Total Department of Transportation				
Equal Employment Opportunity Commission				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	3FPSLP0177	550,950	-
			550,950	-
Total Equal Employment Opportunity Commission				
General Services Administration				
Donation of Federal Surplus Personal Property	39.003	SFY 05	328,637	-
Election Reform Payments	39.011	SFY04	121,612	-
			450,249	-
Total General Services Administration				
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Grants to Organizations and Individuals	45.024	06-4557-7048	8,000	8,000
Promotion of the Arts_Partnership Agreements	45.025	04-6100-2031	8,300	8,300
Promotion of the Arts_Partnership Agreements	45.025	05-6100-2035	575,300	575,300
			583,600	583,600
Grants to States	45.310	LS-00-04-0029-04	242,120	40,135
Grants to States	45.310	LS-00-05-0029-05	883,907	510,598
Grants to States	45.310	LS-00-05-0029-06	36,166	17,189
Grants to States	45.310	LSTA 2005-06	4,204	-
Grants to States	45.310	LSTA 2005-07	4,746	-
Grants to States	45.310	LSTA 2005-23	34,149	-
			1,205,292	567,922

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
National Leadership Grants	45.312	CM-00-03-0014-03	24,956	24,956
National Leadership Grants	45.312	RE-01-03-0051-03	164,821	143,780
			<u>189,777</u>	<u>168,736</u>
Total National Foundation on the Arts and the Humanities			1,986,669	1,328,258
Department of Veterans Affairs				
State Cemetery Grants	64.203	01-C07 NV02-09	3,665,158	-
			<u>3,665,158</u>	<u>-</u>
Total Department of Veterans Affairs				
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-96946501	41,742	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933603	649,441	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933703-3	260,395	-
			<u>909,836</u>	<u>-</u>
State Public Water System Supervision	66.432	F-009105106-1	1,021,921	-
State Underground Water Source Protection	66.433	G-00945605	112,603	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000103-1	6,058,232	6,058,232
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000104-0	6,087,345	6,087,345
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000105	5,732,735	5,732,735
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000106-0	2,716,785	2,716,785
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS320001-00-0	955,395	800,995
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS320001-97-0	84,151	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS32000101	66,901	66,901
			<u>21,701,544</u>	<u>21,462,993</u>
Nonpoint Source Implementation Grants	66.460	C9-97908101	371,623	-
Nonpoint Source Implementation Grants	66.460	C9-97908102	394,541	-
Nonpoint Source Implementation Grants	66.460	C9-97908104	679,456	-
Nonpoint Source Implementation Grants	66.460	C9-97908105	1,065,562	-
Nonpoint Source Implementation Grants	66.460	C9-989754-00	105,771	-
			<u>2,616,953</u>	<u>-</u>
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	T-97934801	20,349	-
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	T-97947701	33,400	-
			<u>53,749</u>	<u>-</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures \$	Payments to Subrecipients \$
Capitalization Grants for Drinking Water State Revolving Funds	66.468	C9989404-99-1	378,413	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996002	1,607,799	1,582,721
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996002 (sub)	118,614	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996003	7,099,405	5,522,829
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996005	6,477,349	6,103,793
			15,681,580	13,209,343
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT-96900301	147,065	-
Performance Partnership Grants	66.605	BG-97958801-3	1,561,383	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83195801	64,328	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83260801	54,752	-
			119,080	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915405-0	111,627	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959505-0	28,000	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959506-0	12,958	-
			152,585	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V 97903801-1	228,433	-
Solid Waste Management Assistance Grants	66.808	X1-97982001	9,979	-
State and Tribal Response Program Grants	66.817	RP-97963601	663,220	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96953101	49,121	-
			45,070,794	34,672,336
Total Environmental Protection Agency				
Department of Energy				
State Energy Program	81.041	DE-FG51-05R021610	350,087	42,173
Weatherization Assistance for Low-Income Persons	81.042	DE-FG51-03R021432	807,589	694,772
Nuclear Waste Disposal Siting	81.065	YUCCA MTN FFY2002 APPROPRIATION ACT	2,058,814	-
Office of Environmental Cleanup and Acceleration	81.104	DE-FG08-99NV13568	468,411	-
Office of Environmental Cleanup and Acceleration	81.104	DE-FG52-99NV13567	464,147	-
Office of Environmental Cleanup and Acceleration	81.104	DE-FG52-99NV13569	209,905	-
			1,142,463	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106	1AA00/01.0001	9,562	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-FC51-02R028804	13,893	11,396
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-FC51-03R028808	23,562	16,501
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-FG51-04R021597	54,824	39,515
State Energy Program Special Projects	81.119	DE-FG51-04R021579	843	414
State Energy Program Special Projects	81.119	DE-FG51-04R021587	117,332	113,563
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	875,830	875,830
Total Department of Energy			92,279	67,412
Department of Education				
Special Education CLUSTER				
Special Education_Grants to States	84.027	H027A030043	13,103	5,227
Special Education_Grants to States	84.027	H027A040043	13,470,698	13,279,716
Special Education_Grants to States	84.027	H027A050043	48,236,485	47,379,925
Special Education_Grants to States	84.027	H027A600043 (sub)	15,477	-
Special Education_Preschool Grants	84.173	06-2715-64	1,500	-
Special Education_Preschool Grants	84.173	H173A030046	1,849	1,849
Special Education_Preschool Grants	84.173	H173A040046	216,587	214,043
Special Education_Preschool Grants	84.173	H173A050046	1,694,693	1,585,764
Total Special Education CLUSTER			1,914,629	1,801,656
Adult Education_State Grant Program	84.002	V002A030028	14,958	-
Adult Education_State Grant Program	84.002	V002A040028	531,765	356,944
Adult Education_State Grant Program	84.002	V002A050028	3,689,352	3,679,882
Total			4,236,075	4,036,826

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Title I Grants to Local Educational Agencies	84.010	S010A030028	111,095	96,828
Title I Grants to Local Educational Agencies	84.010	S010A040028	12,894,254	12,384,094
Title I Grants to Local Educational Agencies	84.010	S010A050028	47,482,595	47,372,645
			60,487,944	59,853,567
Migrant Education_State Grant Program	84.011	S011A030028	17,376	-
Migrant Education_State Grant Program	84.011	S011A040028	99,426	-
Migrant Education_State Grant Program	84.011	S011A050028	89,683	89,683
			206,485	89,683
Title I Program for Neglected and Delinquent Children	84.013	S013A040028	10,971	10,971
Title I Program for Neglected and Delinquent Children	84.013	S013A050028	194,652	194,652
Title I Program for Neglected and Delinquent Children	84.013	S013A60028 (sub)	85,530	-
			291,153	205,623
Vocational Education_Basic Grants to States	84.048	V048A040028	995,304	482,238
Vocational Education_Basic Grants to States	84.048	V048A050028	6,972,819	6,775,513
			7,968,123	7,257,751
Leveraging Educational Assistance Partnership	84.069	N069A050029	82,008	82,008
Leveraging Educational Assistance Partnership	84.069	N069B050015	68,146	68,146
			150,154	150,154
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A050041C	6,727,059	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A060041B	8,235,282	-
			14,962,341	-
Migrant Education_Coordination Program	84.144	S144F040028	141,143	138,829
Rehabilitation Services_Client Assistance Program	84.161	H161A050029	76,581	-
Rehabilitation Services_Client Assistance Program	84.161	H161A060029	44,483	-
			121,064	-
Independent Living_State Grants	84.169	H169A050013	183,729	-
Independent Living_State Grants	84.169	H169A060013	130,022	-
			313,751	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B050028	130,589	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B060028	219,922	-
			350,511	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A040019	1,761,870	-
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A050019	1,201,550	19,588
			2,963,420	19,588
Byrd Honors Scholarships	84.185	P185A040029	116,327	-
Byrd Honors Scholarships	84.185	P185A050030	194,924	-
			311,251	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A040029	404,013	368,927
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A050029	1,373,919	1,265,732
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B040030	304,540	304,540
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B050030	159,102	159,102
			2,241,574	2,098,301
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A040042C	331,608	-
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A060042A	28,140	-
			359,748	-
Education for Homeless Children and Youth	84.196	S196A030029	43,686	10,385
Education for Homeless Children and Youth	84.196	S196A040029	281,931	241,835
Education for Homeless Children and Youth	84.196	S196A050029	151,380	151,378
			476,997	403,598
Even Start_State Educational Agencies	84.213	S213A040029	949,436	880,187
Even Start_State Educational Agencies	84.213	S213A050029	93,249	87,830
Even Start_State Educational Agencies	84.213	S213C030029	1	-
			1,042,686	968,017
Fund for the Improvement of Education	84.215	R215V020031	638,639	-
Assistive Technology	84.224	H224A050028	331,442	254,269
Assistive Technology	84.224	H224A060028A	10,328	10,304
Assistive Technology	84.224	H224A900037-04	174,505	113,714
			516,275	378,287
Tech-Prep Education	84.243	V243A040028	87,162	61,007
Tech-Prep Education	84.243	V243A050028	667,463	662,735
			754,625	723,742
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	H265A000006	7,012	-
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	H265A050017	2,925	-
			9,937	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Charter Schools	84.282	S282A010024-02	8,644	-
Charter Schools	84.282	U282A050003	1,265,113	1,203,730
			1,273,757	1,203,730
Twenty-First Century Community Learning Centers	84.287	S287C030028	65,371	-
Twenty-First Century Community Learning Centers	84.287	S287C040028	1,990,873	1,912,636
Twenty-First Century Community Learning Centers	84.287	S287C050028	2,539,268	2,539,268
			4,595,512	4,451,904
Innovative Education Program Strategies	84.298	S298A030028	20,493	20,493
Innovative Education Program Strategies	84.298	S298A040028	603,869	368,106
Innovative Education Program Strategies	84.298	S298A050028	666,917	666,917
			1,291,279	1,055,516
Education Technology State Grants	84.318	S318X030028	19,288	15,606
Education Technology State Grants	84.318	S318X040028	1,438,832	1,329,514
Education Technology State Grants	84.318	S318X050028	1,470,810	1,438,727
			2,928,930	2,783,847
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A020006	874,590	666,329
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	H326X030004	160,285	159,641
Advanced Placement Program	84.330	U330B030005	106,630	-
Advanced Placement Program	84.330	U330C040121	211,529	156,261
			318,159	156,261
Grants to States for Incarcerated Youth Offenders	84.331	Q331A040029	125,257	-
Grants to States for Incarcerated Youth Offenders	84.331	V331A030023	8,092	-
			133,349	-
Comprehensive School Reform Demonstration	84.332	S332A030029	730	-
Comprehensive School Reform Demonstration	84.332	S332A040029	577,804	499,792
Comprehensive School Reform Demonstration	84.332	S332A050029	97,718	82,868
			676,252	582,660
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A010009	1,153,599	890,623
Vocational Education_Occupational and Employment Information State Grants	84.346	V346A000021	121,442	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures		Payments to Subrecipients	
					\$		\$	
Reading First State Grants	84.357	S357A030029	84.357		227		227	
Reading First State Grants	84.357	S357A040029	84.357		4,424,373		4,310,654	
Reading First State Grants	84.357	S357A050029	84.357		3,184,464		2,365,692	
					7,609,064		6,676,573	
English Language Acquisition Grants	84.365	T365A040028	84.365		1,893,015		1,716,642	
English Language Acquisition Grants	84.365	T365A050028	84.365		5,363,537		5,301,746	
					7,256,552		7,018,388	
Mathematics and Science Partnerships	84.366	S366A050029	84.366		293,862		265,250	
Mathematics and Science Partnerships	84.366	S366B030029	84.366		136,797		136,797	
Mathematics and Science Partnerships	84.366	S366B040029	84.366		503,760		500,854	
					934,419		902,901	
Improving Teacher Quality State Grants	84.367	S367A030027	84.367		1,323		16	
Improving Teacher Quality State Grants	84.367	S367A040027	84.367		2,306,525		1,866,735	
Improving Teacher Quality State Grants	84.367	S367A050027	84.367		10,177,960		10,007,186	
					12,485,808		11,873,937	
Grants for Enhanced Assessment Instruments	84.368	S368A030006	84.368		121,552		121,552	
Grants for State Assessments and Related Activities	84.369	S369A030029	84.369		357,975		55,862	
Grants for State Assessments and Related Activities	84.369	S369A040029	84.369		4,696,528		1,220,830	
Grants for State Assessments and Related Activities	84.369	S369A050029	84.369		325,986		-	
					5,380,489		1,276,692	
Special Education_Technical Assistance on State Data Collection	84.373	H373X060015	84.373		13,232		-	
Hurricane Education Recovery	84.938	S938C060013	84.938		1,013,722		1,013,722	
					210,536,280		179,624,766	
Total Department of Education								
National Archives and Records Administration								
National Historical Publications and Records Grants	89.003	2004-018	89.003		2,846		-	
					2,846		-	
Total National Archives and Records Administration								
Election Assistance Commission								
Help America Vote Act Requirements Payments	90.401	HAVA-FY05	90.401		993,000		-	
					993,000		-	
Total Election Assistance Commission								
Department of Health and Human Services								
Aging CLUSTER								
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	02-04-AA-NV-1320/04	93.044		40,877		40,877	
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	0322-06-06	93.044		108,595		-	

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor	CFDA	Number	Through Number	Award or Pass-	Expenditures	Payments to
Program Title					\$	Subrecipients
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	05-AA-NV-T3SP			2,101,646	2,062,204
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	06-AA-NV-T3SP			179,016	60,689
					2,430,134	2,163,770
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	02-03-AA-NV-1716			6,155	6,155
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	04-AA-NV-T3SP			324,898	324,898
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	05-AA-NV-T3SP			1,167,912	1,047,036
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	06-AA-NV-T3SP			1,193,802	633,176
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	06-AA-NV-T3SP (C-2)			1,001,149	1,001,149
					3,693,916	3,012,414
Nutrition Services Incentive Program	93.053	04AANVNSIP			8,208	8,208
Nutrition Services Incentive Program	93.053	05AANVNSIP			334,874	334,874
Nutrition Services Incentive Program	93.053	06AANVNSIP			373,743	373,743
Nutrition Services Incentive Program	93.053	SFY 01			156,332	156,332
					873,157	873,157
					6,997,207	6,049,341
Total Aging CLUSTER						
Child Care CLUSTER						
Child Care and Development Block Grant	93.575	G0401NVCCDF			1,324,252	-
Child Care and Development Block Grant	93.575	G0501NVCCDF			11,530,121	-
Child Care and Development Block Grant	93.575	G0601NVCCDF			1,850,000	-
					14,704,373	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0501NVCCDF			10,728,888	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0601NVCCDF			7,054,542	-
					17,783,430	-
					32,487,803	-
Total Child Care CLUSTER						
Medicaid CLUSTER						
State Medicaid Fraud Control Units	93.775	01-0501-NV-5050			207,467	7,303
State Medicaid Fraud Control Units	93.775	01-0601-NV-5050			742,690	-
					950,157	7,303
Hurricane Katrina Relief	93.776	0605NVKBEN			514,321	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0505-NV-5000			429,440	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0505-NV-5001			179,004	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	\$	\$
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5002	35,630	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5000	1,217,766	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5001	528,840	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5002	76,679	-
Medical Assistance Program	93.778	05-0505NV5028 (MAP)	2,467,359	-
Medical Assistance Program	93.778	05-0505NV5048 (ADM)	180,206,104	-
Medical Assistance Program	93.778	05-0605NV5028 (MAP)	3,967,353	-
Medical Assistance Program	93.778	05-0605NV5048 (ADM)	466,664,158	-
			34,031,690	-
			684,869,306	-
Total Medicaid CLUSTER			688,801,142	7,303
Public Health and Social Services Emergency Fund	93.003	1 U3RMC03898-01-00	289,846	201,691
Public Health and Social Services Emergency Fund	93.003	4 U3RHS00056-02-06	134,107	-
			423,953	201,691
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	05-AA-NV-T7SP	4,326	1,025
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	06-AA-NV-T7SP	29,122	1,861
			33,448	2,886
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	05-AA-NV-T7SP	31,907	5,541
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	06-AA-NV-T7SP	63,221	-
			95,128	5,541
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	04-AA-NV-T3SP	14,706	14,706
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	05-AA-NV-T3SP	148,345	148,345
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	06-AA-NV-T3SP	264	264
			163,315	163,315
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90 AM 2605	75,609	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90AM3004/01	21,280	-
			96,889	-
Alzheimer's Disease Demonstration Grants to States	93.051	90AZZ2784/02	301,962	300,587

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures		Payments to Subrecipients	
			\$		\$	
National Family Caregiver Support	93.052	04-AA-NV-T3SP	205,070		126,802	
National Family Caregiver Support	93.052	05-AA-NV-T3SP	477,488		477,488	
National Family Caregiver Support	93.052	06-AA-NV-T3SP	96,138		96,138	
National Family Caregiver Support	93.052	AA-03-AA-NV-1719	108,741		108,741	
			887,437		809,169	
Maternal and Child Health Federal Consolidated Programs	93.110	1H25MC00229-02	16,479		-	
Maternal and Child Health Federal Consolidated Programs	93.110	2 H25MC00229-03-00	76,078		-	
Maternal and Child Health Federal Consolidated Programs	93.110	2 H47MC02012-02-00	19,657		-	
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-12	11,280		-	
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-13	74,494		-	
Maternal and Child Health Federal Consolidated Programs	93.110	6 H47MC02012-03	55,343		-	
			253,331		-	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52(CCU907855-14	299,497		219,832	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52(CCU907855-15	128,523		35,104	
			428,020		254,936	
Emergency Medical Services for Children	93.127	1 H33MC06694-01	12,932		-	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060029-05	224,385		-	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060029N	92,181		-	
			316,566		-	
Family Planning_Services	93.217	6 FPHPA091175-30	749,240		187,814	
Traumatic Brain Injury State Demonstration Grant Program	93.234	1 P05MC04381-01-00	37,435		26,764	
Abstinence Education Program	93.235	6 X01MC02344-01	90,968		74,865	
Abstinence Education Program	93.235	G-0501NVAEGP	173,443		87,272	
Abstinence Education Program	93.235	G-0601NVAEGP	17,139		-	
			281,550		162,137	
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	6 URI TH14600-03	202,512		155,408	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1 HS5 SM56551-01	307,710		226,328	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1 U79 SP11179-01	24,433		-	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	4 H79 SM55181-02-2	19,172		-	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	4 U79 SP0960-03-2	2,175,628		2,084,841	

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-	Through Number	Number	Expenditures	Payments to Subrecipients
Program Title	Number	Award or Pass-	Through Number	Number	\$	\$
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5	HR1 SM56616-02	93.243	95,171	-
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	5	HS5 SM56551-02	93.243	481,838	117,949
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	6	U79 SP11179-02-1	93.243	192,412	-
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	U9SM57416A		93.243	40,482	-
Universal Newborn Hearing Screening	93.251	5	H61MC00096-03-00	93.251	7,770	-
Universal Newborn Hearing Screening	93.251	5	H61MC00096-04	93.251	11,068	-
				18,838		2,429,118
Immunization Grants	93.268	Direct Assistance		93.268	11,098,773	-
Immunization Grants	93.268	H23/CCH922549-03		93.268	1,473,906	719,962
Immunization Grants	93.268	H23/CCH922549-04		93.268	1,394,492	724,555
				13,967,171		1,444,517
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U50/CCU 922450-01 (sub)		93.283	65,809	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U50/CCU919685-05		93.283	586,085	485,093
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U50/CCU919685-05 (sub)		93.283	110,087	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U50/CCU919685-05 -02 (sub)		93.283	204	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U50/CCU922450-01 (sub)		93.283	83,499	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U50/CCU922450-03		93.283	635,088	285,886
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U55/CCU922006-02		93.283	8,002	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U55/CCU922006-03		93.283	550,425	110,824
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U55/CCU922006-04		93.283	3,366,997	422,385
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/CCU922830-02		93.283	27,017	26,990
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/CCU922830-03		93.283	1,598,061	541,432
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/CCU922830-04		93.283	14	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U90/CCU916964-03-3		93.283	348,563	348,563
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U90/CCU916964-04		93.283	17,713	17,713

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	\$	\$
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U90/CCU916964-05-1	3,822,229	2,977,029
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U90/CCU916964-06	4,124,672	2,895,089
Promoting Safe and Stable Families	93.556	G-0401NV00FP	15,344,465	8,111,004
Promoting Safe and Stable Families	93.556	G-0501NV00FP	702,597	683,513
			1,251,671	1,143,608
			1,954,268	1,827,121
Temporary Assistance for Needy Families	93.558	G-0501NVTANF	28,814,067	-
Temporary Assistance for Needy Families	93.558	G-0602NVTANF	10,373,784	-
			39,187,851	-
Child Support Enforcement	93.563	G040NV4004	4,260,089	2,425,282
Child Support Enforcement	93.563	G050NV4004	4,830,831	2,255,758
Child Support Enforcement	93.563	G060NV4004	17,710,430	11,544,421
			26,801,350	16,225,461
Low Income Home Energy Assistance	93.568	G-0401NVLIEA	207,028	-
Low Income Home Energy Assistance	93.568	G-04B1NVLIEA	994,147	-
Low Income Home Energy Assistance	93.568	G-05B1NVLIEA	3,630,854	-
Low Income Home Energy Assistance	93.568	G-06B1NVLIEA	3,367,441	-
			8,199,470	-
Community Services Block Grant	93.569	G-05B1NVCOSR	2,660,418	2,515,145
Community Services Block Grant	93.569	G-06B1NVCOSR	54,583	54,583
			2,715,001	2,569,728
Community Services Block Grant Formula and Discretionary Awards	93.571	G-05B3NVCOSR	21,275	21,275
Community Food and Nutrition Programs	93.576	90EZ0055/03	5,000	5,000
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/01	89,920	88,000
			94,920	93,000
State Court Improvement Program	93.586	G-0301NVSCIP	51,276	-
State Court Improvement Program	93.586	G-0401NVSCIP	99,917	-
			151,193	-
Community-Based Child Abuse Prevention Grants	93.590	G-0501NVFRPG	382,814	305,735
Grants to States for Access and Visitation Programs	93.597	G-0401NVSAVP	30,193	-
Grants to States for Access and Visitation Programs	93.597	G-0501NVSAVP	42,204	-
			72,397	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor	CFDA Number	Through Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number			\$	\$
Head Start	93.600	09CD0001/06		98,403	1,000
Head Start	93.600	G-09CD0001/09		49,895	-
				148,298	1,000
Adoption Incentive Payments	93.603	G-0401NVAIPP		224,262	189,169
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	93.618	HAVA		5,976	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0501NVADBS		354,748	187,580
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0601NVADBS		93,962	38,258
				448,710	225,838
Children's Justice Grants to States	93.643	G-0301NVCJA1		48,009	36,645
Children's Justice Grants to States	93.643	G-0401NVCJA1		36,748	960
				84,757	37,605
Child Welfare Services_State Grants	93.645	G-0501-NV-1400		975,657	-
Child Welfare Services_State Grants	93.645	G-0601-NV-1400		1,756,478	-
				2,732,135	-
Foster Care_Title IV-E	93.658	0501NV1401		6,529,273	4,845,336
Foster Care_Title IV-E	93.658	0601NV1401		17,975,039	11,234,758
				24,504,312	16,080,094
Adoption Assistance	93.659	0501NV1407		659,362	640,360
Adoption Assistance	93.659	0601NV1407		7,549,663	6,252,998
				8,209,025	6,893,358
Social Services Block Grant	93.667	G-0501NVSOSR		5,042,136	333,813
Social Services Block Grant	93.667	G-0601NVSOSR		8,247,221	790,770
Social Services Block Grant	93.667	G-0602NVTANF		827,875	-
				14,117,232	1,124,583
Child Abuse and Neglect State Grants	93.669	G-0201NVCA01		34,617	969
Child Abuse and Neglect State Grants	93.669	G-0301NVCA01		73,886	1,047
				108,503	2,016
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0401NVFVPS		306,255	292,041
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0501NVFVPS		722,369	700,906
				1,028,624	992,947
Chafee Foster Care Independence Program	93.674	G-0501NV1420		297,294	285,159

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

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	05-0305NV5021	6,672,045	-
State Children's Insurance Program	93.767	05-0405NV5021	21,039,184	-
			27,711,229	-
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	11-P-91233/9-01	263,589	-
State Pharmaceutical Assistance Programs	93.786	50505NVSPAP	347,232	233,118
State Pharmaceutical Assistance Programs	93.786	50605NVSPAP	239,668	239,668
			586,900	472,786
National Bioterrorism Hospital Preparedness Program	93.889	1 U3RHS05935-01-00	1,421,027	804,660
HIV Care Formula Grants	93.917	2 X07HA00001-15	5,688,333	5,291,714
HIV Care Formula Grants	93.917	6 X07HA00001-16-01	725,875	625,820
			6,414,208	5,917,534
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/CCU922631-03-1	230,616	104,569
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/CCU922631-04-01	117,441	68,128
			348,057	172,717
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-02	2,186,802	1,856,699
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-03	573,862	299,505
			2,760,664	2,156,204
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/CCU923570	768,633	543,043
Block Grants for Community Mental Health Services	93.958	03 B1 NV CMHS	146,072	-
Block Grants for Community Mental Health Services	93.958	05 B1 NV CMHS	2,653,049	-
Block Grants for Community Mental Health Services	93.958	05 B1NVCMHS 03	235,852	-
			3,034,973	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	04B1NVSAPT-01	289,660	289,660
Block Grants for Prevention and Treatment of Substance Abuse	93.959	05B1NVSAPT-03	8,472,015	7,434,774
Block Grants for Prevention and Treatment of Substance Abuse	93.959	06B1NVSAPT-01	4,670,395	4,267,879
			13,432,070	11,992,313
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25/CCH904368-14	307,049	237,659
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25/CCH904368-15	156,050	115,336
			463,099	352,995

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Through Number	Number	Through Number	\$	\$
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	U32/CCU922683-03	93.988	U32/CCU922683-03	302,247	88,042
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	U32/CCU922683-04	93.988	U32/CCU922683-04	92,615	22,010
Preventive Health and Health Services Block Grant	93.991	2004-B1-NV-PRVS	93.991	2004-B1-NV-PRVS	<u>394,862</u>	<u>110,052</u>
Preventive Health and Health Services Block Grant	93.991	2005-B1-NV-PRVS-01	93.991	2005-B1-NV-PRVS-01	18,558	2,546
Preventive Health and Health Services Block Grant	93.991	2006-B1-NV-PRVS-01	93.991	2006-B1-NV-PRVS-01	318,385	59,084
Preventive Health and Health Services Block Grant	93.991	2006-B1-NV-PRVS-01	93.991	2006-B1-NV-PRVS-01	19,961	-
Maternal and Child Health Services Block Grant to the States	93.994	06B1NVMCHS	93.994	06B1NVMCHS	<u>356,904</u>	<u>61,630</u>
Maternal and Child Health Services Block Grant to the States	93.994	1 B04MC044275-01	93.994	1 B04MC044275-01	784,053	25,478
Maternal and Child Health Services Block Grant to the States	93.994	1 B04MC044275-01	93.994	1 B04MC044275-01	1,088,909	13,609
Maternal and Child Health Services Block Grant to the States	93.994	1 B04MC044275-01	93.994	1 B04MC044275-01	<u>1,872,962</u>	<u>39,087</u>
Maternal and Child Health Services Block Grant to the States	93.994	1 B04MC044275-01	93.994	1 B04MC044275-01	<u>956,556,034</u>	<u>89,808,641</u>
Total Department of Health and Human Services Corporation for National & Community Service					<u>121,922</u>	<u>121,922</u>
Learn and Serve America_School and Community Based Programs	94.004	03KSPNV001	94.004	03KSPNV001	121,922	121,922
Total Corporation for National & Community Service					<u>121,922</u>	<u>121,922</u>
Social Security Administration						
Disability Insurance/SSI CLUSTER						
Social Security_Disability Insurance	96.001	04-0504NVD100	96.001	04-0504NVD100	2,473,743	-
Social Security_Disability Insurance	96.001	04-0504NVD102	96.001	04-0504NVD102	1,158	-
Social Security_Disability Insurance	96.001	04-0604NVD100	96.001	04-0604NVD100	7,408,645	-
Social Security_Disability Insurance	96.001	04-0604NVD100	96.001	04-0604NVD100	<u>9,883,546</u>	<u>-</u>
Social Security_Disability Insurance	96.001	04-0604NVD100	96.001	04-0604NVD100	<u>9,883,546</u>	<u>-</u>
Social Security_Disability Insurance	96.001	04-0604NVD100	96.001	04-0604NVD100	<u>9,883,546</u>	<u>-</u>
Total Disability Insurance/SSI CLUSTER					<u>9,883,546</u>	<u>-</u>
Total Social Security Administration					<u>9,883,546</u>	<u>-</u>
Department of Homeland Security						
Homeland Security CLUSTER						
State Domestic Preparedness Equipment Support Program	97.004	2003-MU-T3-0052	97.004	2003-MU-T3-0052	1,347,608	773,331
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0197	97.004	2003-TE-TX-0197	1,270,367	1,034,545
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0197 (sub)	97.004	2003-TE-TX-0197 (sub)	7,158	-
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0052	97.004	2004-GE-T4-0052	9,198,813	7,510,168
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0052 (sub)	97.004	2004-GE-T4-0052 (sub)	536,277	-
State Domestic Preparedness Equipment Support Program	97.004	NDOT SFY 06	97.004	NDOT SFY 06	274,342	-
State Domestic Preparedness Equipment Support Program	97.004	NDOT SFY 06	97.004	NDOT SFY 06	<u>12,634,565</u>	<u>9,318,044</u>
State Domestic Preparedness Equipment Support Program	97.004	NDOT SFY 06	97.004	NDOT SFY 06	16,365,560	14,533,846
Homeland Security Grant Program	97.067	2005-GE-T5-0039	97.067	2005-GE-T5-0039	-	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number			
State Homeland Security Program (SHSP)	97.073	2005-GE-T5-0039 (sub)	\$	266,514	\$
State Homeland Security Program (SHSP)	97.073	97073HS5		13,090	-
State Homeland Security Program (SHSP)	97.073	FFY05		33,526	-
				313,130	-
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2005-GE-T5-0039 (sub)		423,338	-
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	97074LS 5		152	-
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	97074LS5		76,813	-
				500,303	-
Total Homeland Security CLUSTER				29,813,558	23,851,890
Urban Areas Security Initiative	97.008	2004-TU-T4-0028		3,184,984	3,184,984
Boating Safety Financial Assistance	97.012	15.01.32		135,445	-
Boating Safety Financial Assistance	97.012	16.01.32		903,829	-
				1,039,274	-
Hazardous Materials Assistance Program	97.021	EMF-2005-GR-0513		5,000	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2005-GR-0504		17,300	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2006-GR-0604		27,063	-
				44,363	-
Flood Mitigation Assistance	97.029	EMF-2003-GR-0355		3,073	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E003		876	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E004		2,912	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E007		5,049	-
				11,910	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1629-DR-NV		30,094	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006		815,414	767,115
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR		456,149	249,594
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR-NV		13,645	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR		3,617,103	3,170,354
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3204-EM		22,949	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3243-DR		537,438	516,426
				5,492,792	4,703,489

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
First Responder Counter-Terrorism Training Assistance	97.038	EME-2004-GR-0298	\$ 45,824	\$ -
National Dam Safety Program	97.041	EMW-2003-GR-0367	34,176	-
Emergency Management Performance Grants	97.042	2006-EM-E6-0009	922,066	525,933
Pre-Disaster Mitigation	97.047	EMF-2003-GR-0354	94,127	94,073
Emergency Operations Centers	97.052	03-C06	3,758,097	-
Citizen Corps	97.053	EMF-2003-GR-0322	125,748	71,346
Pre-Disaster Mitigation Disaster Resistant Universities	97.063	EMF-2004-GR-0423	50,000	50,000
Map Modernization Management Support	97.070	EMF-2005-GR-0505	92,192	-
Buffer Zone Protection Plan (BZPP)	97.078	2005-GR-T5-0059	494,082	494,082
Total Department of Homeland Security			45,208,193	32,975,797
Total Federal Financial Assistance			\$ 2,108,499,294	\$ 482,535,242

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

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. FOOD DONATION (10.550) FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS (10.567) NUTRITION SERVICES INCENTIVE (93.053) EMERGENCY FOOD ASSISTANCE PROGRAM (10.569)

The expenditures for these programs represent 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)

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	\$247,307,254
Federal Funds	<u>23,100,194</u>
Total Reported	<u>\$270,407,448</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 \$17,798,722.

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.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the basic financial statements of the State of Nevada.
2. No reportable conditions or material weaknesses 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. Reportable conditions, not identified as material weaknesses, in the internal control over major 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:

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

Food Stamp Cluster

- Food Stamps, CFDA 10.551
- State Administrative Matching Grants for Food Stamp Program, CFDA 10.561
- Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557

U.S. Department of Education:

- Title I Grants to Local Educational Agencies, CFDA 84.010
- Rehabilitation Services Vocational Rehabilitation Grants to States, CFDA 84.126
- Twenty-First Century Community Learning Centers, CFDA 84.287
- Reading First State Grants, CFDA 84.357
- English Language Acquisition Grants, CFDA 84.365
- Improving Teacher Quality State Grants, CFDA 84.367

U.S. Department of Health and Human Services:

Aging Cluster:

- Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers, CFDA 93.044
- Special Programs for the Aging_ Title III, Part C_ Nutrition Services, CFDA 93.045
- Nutrition Services Incentive Program, CFDA 93.053
- Substance Abuse and Mental Health Services_ Projects of Regional and National Significance, CFDA 93.243
- Immunization Grants, CFDA 93.268

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

Temporary Assistance For Needy Families (TANF), CFDA 93.558
Child Support Enforcement, CFDA 93.563
Low Income Home Energy Assistance, CFDA 93.568
Community Services Block Grant, CFDA 93.569
Medicaid Cluster:
 Hurricane Katrina Relief Program, CFDA 93.776
 Medical Assistance Program, CFDA 93.778
 State Medicaid Fraud Control Units, CFDA 93.775
 State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777
Foster Care Title IV-E, CFDA 93.658
Adoption Assistance, CFDA 93.659
Social Services Block Grant, CFDA 93.667

U.S. Department of Interior:

Distribution of Receipts to State and Local Governments, CFDA 15.227

U.S. Department of Labor:

WIA Cluster:
 WIA Adult Program, CFDA 17.258
 WIA Youth Activities, CFDA 17.259
 WIA Dislocated Workers, CFDA 17.260

Environmental Protection Agency:

Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458

U.S. Department of Defense:

Military Construction, National Guard, CFDA 12.400

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2006, was \$6,325,498.
9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2006 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 108 through 157.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE:

Finding 06-1:

Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement provides that a State agency operating a retail food delivery system must conduct compliance investigations, which consist of inventory audits and/or compliance buys, on a minimum of five percent of the vendors authorized as of October 1 of each year. A State agency must conduct compliance investigations on its high-risk vendors up to the five percent minimum.</p> <p>The Health Division failed to meet the requirement to conduct the required compliance investigations of high-risk vendors.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Vendor billing errors could occur and result in unallowable costs.
<i>Cause:</i>	The Health Division did not have adequate procedures in place to ensure that high-risk vendors are identified and that the required vendor compliance investigations are completed.
<i>Recommendation:</i>	We recommend the Health Division implement procedures to identify the high-risk vendors and ensure required investigations are completed within the designated timeframe.
<i>Management's Response:</i>	See management's response on pages 114 through 115.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE:

Finding 06-2:

Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement provides that a State agency operating a retail food delivery system must take actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor agreement. The State agency must follow up on food instruments containing errors within 120 days following detection.</p> <p>The Health Division did not perform timely follow-up on erroneous or questionable food instruments.</p>
<i>Questioned Costs:</i>	Undeterminable.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Erroneous payments to vendors could be made and result in unallowable costs.
<i>Cause:</i>	The Health Division did not have adequate procedures in place to ensure the recovery of erroneous payments in a timely manner.
<i>Recommendation:</i>	We recommend the Health Division implement procedures to identify the erroneous or questionable food instruments, and take timely action to recover erroneous payments.
<i>Management's Response:</i>	See management's response on page 115.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-3:

Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557:
Immunization Grants, CFDA 93.268:

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 and 93.268 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 an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Health Division did not actively monitor its subrecipients' audit reports to ensure required audits are completed, and to 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 Health Division did not have adequate procedures in place to ensure that the required audit reports were completed and reviewed for subrecipient findings.

Recommendation: We recommend the Health Division implement internal control procedures to ensure required audits are completed within nine months of the end of a subrecipient's audit period, identify subrecipient noncompliance, and communicate subrecipient findings to appropriate program personnel so that appropriate action may be taken in the designated timeframe.

Management's Response: See management's responses on pages 115 and 122 through 138.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF AGRICULTURE:

Finding 06-4:

Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557:

Grant Award Number: Potentially affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: 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.

During testing of the monthly Financial Management and Participation Reports (FNS-798), we identified two instances where amounts for key line items did not reconcile to the State's supporting records.

Questioned Costs: None.

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

Effect: The USDA Food and Nutrition Service may receive inaccurate information of projected and actual Federal food expenditures and participation, which could potentially affect the annual grant reconciliation.

Cause: The Health Division did not have adequate procedures in place to ensure that amounts included on the reports reconcile to the supporting records.

Recommendation: We recommend the Health Division enhance the review process to ensure that key line items reconcile to the supporting records.

Management's Response: See management's response on page 116.

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



ALEX HAARTZ, MPH
Administrator

BRADFORD LEE, M.D.
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

4150 Technology Way, Suite 300
Carson City, NV 89706

Telephone: (775) 684-4200 • Fax: (775) 684-4211

March 12, 2007

Rich Proulx, Regional Director
USDA/FNS
Supplemental Nutrition Program
90 Seventh St, Suite 10-100
San Francisco, CA 94103

Re: Plan of Corrective Action- Kafoury Armstrong Audit

The Nevada State Health Division provides this response to the above-noted audit for the year ended June 30, 2006.

U.S. Department of Agriculture:

Finding 06-1:

Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557:

Recommendation: *"We recommend the Health Division implement procedures to identify the high-risk vendors and ensure required investigations are completed within the designated timeframe."*

Corrective Action: Internal Program procedures to identify high risk-vendors and conduct required investigations have been developed and implemented. STAR Reviews have assisted in defining this issue. Internal program policies and procedures to identify high risk-vendors and conduct required investigations are in process. Dialogue has taken place with USDA/FNS and upon their approval, high risk procedures and investigation methodologies will be incorporated into Nevada's WIC State Plan. The following procedures will be proposed to USDA/FNS for their review and approval:

1) In October, January, April and July of each federal fiscal year, data from the previous quarter will be analyzed to determine those vendors qualifying as high risk and compliance buy schedules will be developed to conduct compliance buys during the quarter. October's analysis will be based upon July through September data, January's analysis will be based upon October through December data, April's analysis will be based upon January through March data and July's analysis will be based upon April through June data. The criteria to be evaluated to arrive at a high designation include: EBT anomalies; high average prices; deviations from peer group patterns; more than one complaint per month; a high number of rejected EBT transactions or check errors for paper transactions; an abnormal increase in sales by volume and/or dollar

amount, and instances of low stock. Dialog with USDA/FNS will be ongoing to insure that criteria to be used are current and relevant.

For federal fiscal year 2007, the high risk/compliance buy schedule will be based upon October 2006 through March 2007 data, with rounds one and two of compliance buys being conducted in June/July and September respectively.

Finding #: 06-02

Recommendation: *"We recommend the Health Division implement procedures to identify the erroneous or questionable food instruments, and take timely action to recover erroneous payments."*

Corrective Action: Internal program policies and procedures to identify erroneous or questionable food instruments and to take timely action to recover erroneous payments are in the draft stage. Dialog has taken place with USDA/FNS and upon their approval, procedures to identify erroneous and/or questionable food instruments and to recover erroneous payments will be incorporated into Nevada's WIC State Plan. The following procedures have been proposed to USDA/FNS for their review and approval:

Beginning in November of each federal fiscal year transactions that have been denied due to exceeding the authorized dollar amount or redeemed outside the authorized date period will be billed back to the vendor who processed the transaction. In addition, Nevada WIC will request from FSMC, the WIC clearinghouse, a random sample of one day's actual transactions for review and 'billback' as necessary.

For federal fiscal year 2006 and 2007, the Nevada WIC program has developed a concurrent schedule to bring delinquent vendor billing due to erroneous payments and/or questionable food instruments up to date. The following schedule is submitted:

Vendor billing is complete through March 2006.

- ◆ By March 2007: April, May and October 2006 will be completed.
- ◆ By April 2007: June, July and November 2006 will be completed.
- ◆ By May 2007: August, September and December 2006 will be completed.
- ◆ By June 2007: January, February, and March 2007 will be completed.
- ◆ By July 2007: April, May and June 2007 will be completed.

Finding #: 06-03

Recommendation: *"We recommend the Health Division implement internal control procedures to ensure required audits are completed within nine months of the end of a subrecipient's audit period, identify subrecipient noncompliance, and communicate subrecipient findings to appropriate program personnel so that appropriate action may be taken in the designated timeframe."*

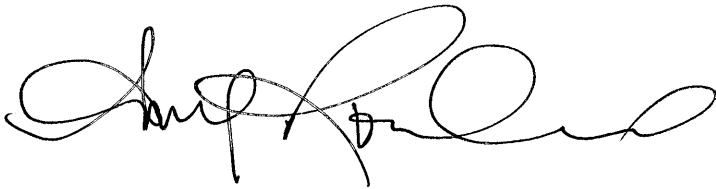
Corrective Action: Internal program policies and procedures are being developed to ensure required audits are completed within nine months of the end of a subrecipient's audit period and to ensure that audit findings are communicated to appropriate personnel for action. For federal fiscal year 2007, the Nevada WIC program's policies and procedures will include the requirement to procure copies of audits as of the close of the most recent fiscal year for all WIC subrecipients. Audits will then be reviewed for findings so that appropriate action may be taken. For federal fiscal year 2008, subgrant language will be modified requiring subrecipients to provide, within nine months, copies of audits as of the close of their most recent fiscal year.

Finding #: 06-04

Recommendation: *"We recommend the Health Division enhance the review process to ensure that key line items reconcile to the supporting records."*

Corrective Action: Internal program policies and procedures are being developed to add an additional level of review of federal reporting to ensure key line items are supported by data records in the state's accounting system.

Thank you for your assistance in this matter and please feel free to contact our agency if there are any further questions.

A handwritten signature in black ink, appearing to read 'Amy L. Roukie', with a stylized, cursive script.

Amy L. Roukie, MBA, Administrative Services Officer IV
State of Nevada - Health Division

Cc. Alex Haartz, Administrator, Health Division
Michael Willden, Director, Health and Human Services
William Chisel, LCB Audit Division
Judy Wright, Chief, Bureau of Family Health Services
David Crocket, WIC Program Manager

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF EDUCATION:

Finding 06-5:

Title I Grants to Local Educational Agencies, CFDA 84.010
English Language Acquisition Grants, CFDA 84.365
Improving Teacher Quality State Grants, CFDA 84.367

Grant Award Number: Potentially affects all grant awards included under CFDA 84.010, 84.365, and 84.367 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Cross-Cutting Section Compliance Supplement requires that the State Department of Education must reduce the amount of funds granted to a subrecipient in any fiscal year that the subrecipient fails to maintain fiscal effort.

Though compliance was met, during testing of the internal controls over this requirement, we noted the report that documents the subrecipients' Maintenance of Effort levels was not prepared using documented enrollment information. As a result, the individuals responsible for determining subrecipient grants were provided inaccurate information of the subrecipients' Maintenance of Effort.

Questioned Costs: None.

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

Effect: Subrecipients could have been granted funds to which they were not entitled.

Cause: The Department of Education did not have adequate review procedures in place to ensure the report that documents fiscal effort was accurately prepared.

Recommendation: We recommend the Department of Education develop policies and procedures to ensure that a review is performed of the report that documents fiscal effort.

Management's Response: See management's response on pages 118 through 119.

KEITH W. RHEAULT
Superintendent of Public Instruction

GLORIA P. DOPF
Deputy Superintendent
Instructional, Research and Evaluative
Services

JAMES R. WELLS
Deputy Superintendent
Administrative and Fiscal Services

STATE OF NEVADA



DEPARTMENT OF EDUCATION

700 E. Fifth Street
Carson City, Nevada 89701-5096
(775) 687-9200 • Fax: (775) 687-9101

SOUTHERN NEVADA OFFICE
1820 E. Sahara, Suite 205
Las Vegas, Nevada 89104-3746

(702) 486-6455
Fax: (702) 486-6450

MOODY STREET OFFICE
1749 Moody Street, Suite 40
Carson City, Nevada 89706-2543

March 13, 2007

Paul S. Brown
Office of Elementary and Secondary Education
FOB-6, Room 3C132
400 Maryland Avenue, SW
Washington, DC 20202-6132

Elizabeth A. Bailey
Office of English Language Acquisition
400 Maryland Avenue, SW
Washington, DC 20202-6510

Robert M. Stonehill
Office of Elementary and Secondary Education
Academic Improvement and Teacher Quality Programs
400 Maryland Avenue, SW
Washington, DC 20202

Dear Mr. Brown, Ms. Bailey and Mr. Stonehill:

Kafoury, Armstrong & Co., CPAs, performed a Single Audit of several Federal grant programs administered by the Nevada Department of Education (NDE) for the fiscal year ended June 30, 2006. Included in the audit was the **Title I Grants to Local Educational Agencies** program (CFDA 84.010), **English Language Acquisition Grants** (CFDA 84.365) and **Improving Teacher Quality State Grants** (CFDA 84.367). Kafoury, Armstrong & Co.'s **Finding 06-5** relates to these programs.

Finding 06-5 resulted in the following recommendation:

We recommend the Department of Education develop policies and procedures to ensure that a review is performed of the report that documents fiscal effort.

Response: The Nevada Department of Education acknowledges this finding and has taken the steps described in the **Corrective Action** below to implement the recommendation. The auditors noted that in the "Maintenance of Effort Study-ESEA Programs," which is prepared annually by NDE's fiscal services

office, the enrollments shown for FY2005 did not match the enrollments shown in the supporting documentation required to be used based on the internal instructions for preparing the Study. The result was that the individuals responsible for determining subrecipient grants were provided inaccurate information of the subrecipients' Maintenance of Effort. The maintenance of effort can be demonstrated by showing that the total state and local funding for the school district exceeds 90% of the prior year either 1) in total state and local funding; or 2) in per student state and local funding. The Study shows that the maintenance of effort was demonstrated by total state and local funding and the per student calculation was therefore not necessary. The error in the Maintenance of Effort Study this year resulted from final numbers not being updated from preliminary ones. However, NDE strives to prepare and present errorless reports and for that reason accepts the recommendation.

Corrective Action: The steps required to complete the Maintenance of Effort Study are completely documented in the Desk Manual for the staff position involved. NDE has added a note to the Desk Manual reinforcing the necessity of updating the final enrollments for both years involved in the Study using the report documented within the Desk Manual instructions. Additionally, a review step has been added to the Desk Manual to provide for a supervisory review of the report before it is finalized and distributed.

If you have questions, please contact me at 775-687-9175 or jwells@doe.nv.gov.

Sincerely,



James R. Wells, CPA
Deputy Superintendent
Administrative & Fiscal Services

CC: Tim Brown, Deputy Legislative Auditor
Debra Clark, CPA, Kafoury, Armstrong & Co.
Keith Rheault, Superintendent of Public Instruction
Gloria Dopf, Deputy Superintendent
Frankie McCabe, Director, Office of Special Education, Elementary and Secondary
Education, and School Improvement Programs
Kathy St. Clair, Education Consultant, NDE

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-6

Immunization Grants, CFDA 93.268:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.268 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement requires that the Catalog of Federal Domestic Assistance (CFDA) title and number, along with the award name, the name of the Federal agency, and the amount of non-cash assistance be communicated to all subrecipients. Pass-through entities must also ensure that the subrecipients are aware of the audit requirements of OMB Circular A-133.</p> <p>During our review of the agreements with the providers who receive and dispense vaccines as part of the Immunization Grants program, it was noted that neither the CFDA number nor a reference to the audit requirements was included in the agreements.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected by the State.
<i>Cause:</i>	The provider agreements did not contain all required disclosures.
<i>Recommendation:</i>	We recommend that the Health Division amend the provider agreements to include all the information that should be communicated to the subrecipients.
<i>Management's Response:</i>	See management's response on pages 121 through 138.

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



ALEX HAARTZ, MPH
Administrator

BRADFORD LEE, M.D.
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

4150 Technology Way, Suite 300
Carson City, NV 89706

Telephone: (775) 684-4200 • Fax: (775) 684-4211

March 12, 2007

Gary S. Buckett, CPM, MPH, Consultant
Centers for Disease Control and Prevention
National Center for Immunizations and Respiratory Diseases
Immunization Services Division
Program Operations Branch
M.S. E52, Corporate Square
Atlanta, Georgia 30333

Re: Plan of Corrective Action- Kafoury Armstrong Audit

The Nevada State Health Division provides this response to the above-noted audit for the year ended June 30, 2006.

Department of Health and Human Services:

Finding 06-6:
Immunization Grants, CFDA 93.268:

Recommendation: *"We recommend the Health Division amend the provider agreements to include all information that should be communicated to the subrecipients."*

Corrective Action:

1) The following language has been drafted to address the current omission of Catalogue of Federal Domestic Assistance (CFDA) title and number, award name, and Federal agency name to the Immunization Program Enrollment Agreement: (Attachment A)

"Funding disclosure and audit requirements for non-profit organizations

Funding for the distribution of vaccines and materials through this program is provided by the Centers for Disease Control & Prevention through Catalogue of Federal Domestic Assistance (CFDA) number 93.268, Immunization and Vaccines for Children Grants.

It is a federal requirement as specified in the Office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003] that each grant sub-recipient annually expending \$500,000 or more in federal funds have an annual audit prepared by an independent auditor in accordance with the terms and requirements of the appropriate circular."

- 2) All changes to the Immunization Program Enrollment Agreement require the approval of the Centers for Disease Control & Prevention (CDC). The CDC also requires that any approved changes to the Agreement be implemented during the NEXT federal grant period (in this case implementation of the change would not occur until the enrollment period for calendar year 2008). Therefore, the Immunization Program will submit the requested to change the Agreement not later than March 31, 2007, with a proposed implementation date of September 15, 2007, which will coincide with the beginning of the enrollment renewal period for calendar/grant year 2008. It is expected that the Immunization Program will receive CDC approval no later than July 31, 2007 however, intends to distribute this notice to all enrolled providers in the meantime. (Attachment B)

Finding #: 06-03:

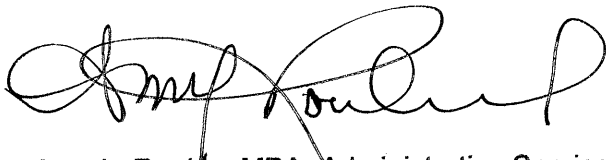
Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557 and Immunization Grants, CFDA 93.268:

Recommendation: *"We recommend the Health Division implement internal control procedures to ensure required audits are completed within nine months of the end of a subrecipient's audit period, identify subrecipient noncompliance, and communicate subrecipient findings to appropriate program personnel so that appropriate action may be taken in the designated timeframe."*

Corrective Action: The following language (taken directly from the Health Division Subgrant Template) has been added as Paragraph 5 in the Audit Follow-up Section of the BCH Internal Controls 2007 Draft, which will be completed and submitted for Health Division and Department of Administration approval in May 2007: (Attachment C)

- Any Bureau of Community Health program that uses provider agreements must include the following language in the provider agreement: "It is the policy of the Health Division (as well as a federal requirement as specified in the Office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003]) that each grantee annually expending \$500,000 or more in federal funds have an annual audit prepared by an independent auditor in accordance with the terms and requirements of the appropriate circular. A COPY OF THE FINAL AUDIT REPORT MUST BE SENT TO THE NEVADA STATE HEALTH DIVISION, ATTN: ADMINISTRATIVE SERVICES OFFICER IV, 4150 TECHNOLOGY WAY, SUITE 300, CARSON CITY, NEVADA 89706-2009, within nine (9) months of the close of the Subgrantee's fiscal year."

Thank you for your assistance in this matter and please feel free to contact our agency if there are any further questions.



Amy L. Roukie, MBA, Administrative Services Officer IV
State of Nevada - Health Division

Attachments

- Cc. Alex Haartz, Administrator, Health Division
Michael Willden, Director, Health and Human Services
William Chisel, LCB Audit Division
Deborah McBride, Chief, Bureau of Community Health Services
Doug Banghart, Immunization Program Manager

ATTACHMENT A

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



ALEX HAARTZ, MPH
Administrator

BRADFORD LEE, M.D.
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION
Bureau of Community Health

4150 Technology Way, Ste 101
Carson City, NV 89706
(775) 684-5900
FAX (775) 684-8338

To Prospective Nevada State Immunization Provider,

Attached you will find the *Immunization Program Enrollment Agreement* for enrolling in the Nevada State Health Division's Immunization Program including the Vaccines for Children Program (VFC). To enroll, fill out the agreement. Make certain it is filled out completely and signed by the appropriate *Physician in Chief*.

Mail completed enrollment to (please do not fax as it will not be processed):

Linda Platz, RN, BS
Nevada State Immunization Program
Health Division
4150 Technology Way, Suite 101
Carson City, Nevada 89706

Once you have completed the agreement, contact the Linda Platz @ 775-684-5913 to set up an orientation of your office staff.

As a state-vaccine provider you must:

- Screen the parent or guardian to determine VFC eligibility of the child and record.
- Maintain records on all VFC-eligible children who are immunized with VFC-provided vaccine, and make these records available to public health officials, upon request.
- Comply with the recommended immunization schedule as established by the Advisory Committee on Immunization Practices (ACIP).
- Immunize eligible children with state-supplied vaccine at no charge to the patient for the vaccine.
- Not charge a vaccine administration fee that is above the fee cap (\$16.13) established by CMS for Nevada.
- Immunize eligible children enrolled in the practice even if the family cannot pay the administration fee.

Public Health: Working for a Safer and Healthier Nevada

- Provide vaccine information materials and maintain records in accordance with the National Vaccine Injury Compensation Act. This mandate applies to all providers, regardless of their participation in the VFC program.

Please be aware:

- The vaccines must be stored in a reliable refrigerator with a separate sealed outside freezer door and separate controls for the refrigerator and freezer.
- Providers must use a **certified** thermometer and record the refrigerator and freezer temperatures twice daily, on the state “Daily Temperature Log” form. This temperature log must be faxed in with your order.
- The *Monthly Usage and Inventory* report must be faxed to the state on the 25th of each month.
- Providers may be required to reimburse the Nevada State Immunization Program for the cost of vaccine lost due to provider negligence.
- The Centers for Disease Control and Prevention requires the use of hard data for the “Profile” numbers. You may use your own “hard data” (i.e. Medicaid claims data, provider encounter data, registry data, doses administered data).

For questions, please call: Linda Platz, RN, BS, @ 775-684-5913 at the Nevada State Health Division’s Immunization Program.

Sincerely,

Doug Banghart, RN, MSPH
Program Manager
Nevada State Immunization Program

**STATE OF NEVADA HEALTH DIVISION
BUREAU OF COMMUNITY HEALTH
IMMUNIZATION PROGRAM ENROLLMENT AGREEMENT
VACCINES FOR CHILDREN (VFC)
FOR THE YEAR 2007**

**Please return original, signed agreement via US mail to the
Nevada Immunization Program**

4150 Technology Way, Suite 101
Carson City, Nevada 89706

Program enrollment number _____
(4-digit number issued by the State Immunization Program)

Clinic/Facility/Practice name _____

All public and private health care providers participating in the Nevada Immunization Program, including the *Vaccines for Children (VFC) Program* must complete this form. The VFC Program is an entitlement program administered by the Centers for Disease Control and Prevention and provides publicly purchased vaccines, for eligible children, at no charge to public and private providers.

The Provider Enrollment/Profile Agreement must be updated annually or more frequently if the number of children being served by your facility changes or your practice information changes. This document must provide accurate shipping information and an accurate provider profile in order to assist the State in determining the amount of vaccine to be supplied through the State Immunization/VFC Program.

Type of Clinic/Facility/Practice: please check all that apply

- | | |
|---|--|
| _____ A. Public Health Department | _____ E. Federally Qualified Health Center (FQHC)* |
| _____ B. Public Hospital | _____ F. Rural Health Clinic ** |
| _____ C. Private Practice (Individual or Group) | _____ G. Other Public Facility _____ |
| _____ D. Private Hospital | _____ H. Other Private Facility _____ |

*Federally Qualified Health Centers (FQHC) - A center that provides health care to a medically under-served population may apply to the BPHC/HRSA for FQHC status. If approved and the health center meets the Health Resources and Services Administration qualifications, FQHC status is conferred. FQHCs include community and migrant centers, special health facilities such as those for the homeless and persons with AIDS that receive grants under the Public Health Service Act, and "look-alikes" which meet the qualifications but do not actually receive grant funds. They also include health centers within public housing and Indian Health Centers.

**Rural Health Clinic - The Rural Health Clinic program was established in 1977. Its two-fold purpose is to increase access to health care for rural underserved communities and to expand the use of nurse practitioners (NPs), physician assistants (PAs), and certified nurse midwives (CNMs) in rural communities. To be eligible for certification as an RHC, a clinic must be located in a Health Professional Shortage Area, Medically Underserved Area, or a Governor-Designated Shortage Area. RHCs are required to be staffed by PAs, NPs, or CNMs at least half of the time the clinic is open.

Shipping Contact _____
(the person responsible for the vaccines)

Street _____ Suite _____

City _____ State _____ Zip Code _____

Phone number and extension _____ Facility Fax number _____

Mailing Contact _____
(may be the same as the 'shipping' contact)

Public Health: Working for a Safer and Healthier Nevada

Street: _____ Suite _____

City _____ State _____ Zip Code _____

Clinic e-mail address (please include) _____

Days and times the clinic is open to accept delivery of vaccines:

Days _____ Hours _____

Note: Please notify the Nevada State Immunization Program of any changes, i.e. clinic closures or changes in hours of operation.

County location of facility _____

Facility approved for Varicella storage

Yes _____ No _____
(to be determined by the state IZ Program)

SECTION I: PROVIDER ENROLLMENT

To participate in the Nevada State Health Division's Immunization Program, which includes the federal Vaccines for Children (VFC) program, and receive state supplied vaccines provided to my facility at no cost, I, on behalf of myself and all practitioners, nurses and other staff for whom I am the physician-in-chief or equivalent, agree to the following:

- 1) Before administering vaccine provided through the Nevada Immunization Program, I will screen all patients to determine VFC eligibility status.
 - I will administer VFC designated vaccine (per attached) only to children, birth through 18 years who qualify under one or more of the following criteria:
 - a. Are American Indian or Alaska Native
 - b. Are Medicaid enrolled (or qualified through a State Medicaid waiver)
 - c. Have no health insurance
 - d. Have health insurance that does not pay for the vaccine (only applicable at FQHC or RHC or their designee)
 - I may administer all state provided vaccine to children enrolled in Nevada Check Up.
 - I may administer all state provided vaccines, which are not VFC designated vaccines, to all non VFC eligible children.
- 2) I will adhere to the appropriate immunization schedule, dosage, and contraindications, as established by the Advisory Committee on Immunization Practices (ACIP) unless: a) in my medical judgment, and in accordance with accepted medical practice, I deem such adherence to be medically inappropriate; or b) the particular requirement contradicts the law in my state pertaining to religious and medical exemptions (per NRS 432A, 392, 394). Note: The ACIP Schedule is compatible with the American Academy of Pediatrics (AAP) and American Academy of Family Physicians (AAFP) recommendations.
- 3) I will maintain records of the patients VFC status for a period of 6 years. Release of such records will be bound by the privacy protection of the federal Health Insurance and Portability Act of 1996.
- 4) I will maintain clients' immunization records for a period of 6 years (per 45 C.F.R. 164.530).
- 5) I will make such records available to the health authority and/or designee, if requested (per NAC 441A.750). This includes the collection of data for the Clinic Assessment Software Application (CASA).
- 6) My staff and I will attend a new provider orientation provided by the health authority and/or designee.
- 7) I will ensure that parent(s) or guardian(s) will receive the appropriate Vaccine Information Statement(s) prior to the administration of any vaccine and immunization records will be maintained in accordance with the National Childhood Vaccine Injury Act. Vaccine adverse events will be reported to the State Immunization Program, along with any supporting documentation, in accordance with the Vaccine Adverse Event Reporting System (VAERS) protocol.
- 8) I will not impose a charge for the cost of any of the state supplied vaccines.
- 9) I will not impose a charge for the administration of a state supplied vaccine to a VFC eligible child that is higher than the maximum fee established for Nevada by the Federal Registry Vol. 59 No 190/Monday October 3, 1994 of \$16.13 per vaccine.
- 10) I will not deny administration of a state supplied vaccine to a VFC eligible child because of the child's parent/guardian/individual of record's inability to pay the administration fee, nor will I bill (per the Federal Registry Vol. 59 No 190/Monday October 3, 1994).
- 11) I will comply with the procedures outlined by the Nevada Immunization Program in *A Provider's Guide to Immunization in Nevada* to include, but not limited to:
 - a. ordering of vaccines,
 - b. storing and handling of vaccines and maintenance of the cold chain,
 - c. submitting the "Monthly Usage and Inventory Report" by the 25th of every month,

Public Health: Working for a Safer and Healthier Nevada

- d. notifying the Nevada Immunization Program 3 months prior to expiration of any vaccine, and
- e. returning all expired/wasted vaccines to the Nevada Immunization Program per instructions.

- 12) I will ensure that the *Provider Profile*, required by the VFC program, will be completed and submitted along with the *Provider Enrollment Agreement* annually or more frequently should clinic information change.
- 13) I will promptly advise the State Immunization Program of any changes in my practice information, i.e. address, clinic hours, personnel changes, and phone number.
- 14) I will allow time for the State's requirement of an annual quality improvement visit.
- 15) I agree the State or I may terminate this agreement, at any time, for any reason or failure to comply with these requirements.
- 16) The clinic/facility/practice will be financially responsible for the replacement cost of any state-supplied vaccines that expire, are wasted or cannot be accounted for due to negligent vaccine storage and accountability practices.

Funding disclosure and audit requirements for non-profit organizations:

Funding for the distribution of vaccines and materials through this program is provided by the Centers for Disease Control & Prevention through Catalog of Federal Domestic Assistance (CFDA) number 93.268, Immunization and Vaccines for Children Grants.

It is a federal requirement as specified in the office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003] that each grant sub-recipient annually expending \$500,000 or more in federal funds have an annual audit prepared by an independent auditor in accordance with the terms and requirements of the appropriate circular.

I certify that I have read and agree to the requirements listed above pertaining to participation in the Nevada State Immunization Program, which includes the federal Vaccines for Children Program.

DATE: _____

SIGNATURE of Physician in Chief (authorized to prescribe Vaccines under Nevada State law)

Medical License # _____

Medicaid Provider # _____

Please return the completed/signed form by mail to:
NEVADA STATE IMMUNIZATION PROGRAM
LINDA PLATZ, RN, BS
4150 Technology Way, Suite 101
CARSON CITY, NV 89706
PHONE: 775-684-5913
 Revised 1/18/07

SECTION II: PROVIDER PROFILE (please see attached for further explanation)

Vaccine Need: Please complete the table below in order for the Immunization/VFC Program to calculate your vaccine allowance. The information must be based on patient load (hard data) and not estimates. Please document below the data source for this information.

For the 12-month period beginning now, project the number of children who will receive vaccinations at your health facility, by age group and by the specific category listed below.

VFC ELIGIBLE:	<1 year	1-6 years	7-18 years	Total
1. The number of children enrolled in Medicaid				
2. The number of children with no health insurance (uninsured)				
3. The number of children who are American Indian/Alaska Native				
4. The number of children who are underinsured (complete this row only if you qualify as a FQHC or RHC or a designee of FQHC)				
5. <u>SUBTOTAL VFC ELIGIBLE (TOTAL 1-4)</u>				
6. The number of children in Nevada Check √ Up				
7. All remaining children including those whose insurance covers immunization (with or without a deductible) and others not covered under the VFC Program				
8. <u>TOTAL NUMBER OF CHILDREN SERVED BY YOUR FACILITY</u> (TOTAL "SUBTOTAL" ADD 5+6+7)				

Please tell us the type of data used to determine the above profile numbers: (Check all areas that apply)

- | | |
|--|---|
| <input type="checkbox"/> Benchmarking Data | <input type="checkbox"/> Registry Data |
| <input type="checkbox"/> Medicaid Claims Data | <input type="checkbox"/> Doses Administered Data* |
| <input type="checkbox"/> Provider Encounter Data | <input type="checkbox"/> Other _____ |

Contact Linda Platz RN, BS @ 775-684-5913 at the Nevada State Health Division's Immunization Program, if you have questions about completing this form.

Return the completed/signed form by mail to:
NEVADA STATE IMMUNIZATION PROGRAM
LINDA PLATZ, RN, BS
4150 TECHNOLOGY WAY, SUITE 101
CARSON CITY, NV 89706
PHONE: 775-684-5913
 Revised 1/18/07

SECTION III: PROVIDER INFORMATION

Please print or type the names and medical license numbers of all the health providers who may possess a medical license and prescription writing privileges (attach another sheet if additional space is needed). It is not necessary to include the names of all staff within this facility that may administer vaccine, but rather, only those who possess a medical license or are authorized to write prescriptions.

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

Last Name, First, MI (Provider must have prescription writing privileges)	Title (MD, DO, ND, NP, PA)	Specialty (Peds. Family Med. GP. Other (specify))	Medical License No.
Medicaid Provider No. _____			

This record is to be submitted in original to and kept on file at the State Health Division and must be updated in accordance with State policy.

**Return completed/signed form by mail to:
 NEVADA STATE IMMUNIZATION PROGRAM
 LINDA PLATZ, RN, BS
 4150 TECHNOLOGY WAY, SUITE 101
 CARSON CITY, NV 89706
 PHONE: 775-684-5913
 Revised 1/17/07**

**Instructions for filling out
SECTION II PROVIDER PROFILE**

Per Centers for Disease Control and Prevention (CDC) the profile must be based on data and not provider estimates. It may be based on data gathered from your clinics submission of "Monthly Usage and Inventory Report", or on the vaccine replacement method or on benchmarking. Other sources of information may include State Medicaid claims data, provider encounter data or registry information. The determinants may include vaccine-ordering patterns of providers, birth and population information, Medicaid claims data, provider profile information and/or other indicators of expected vaccine use.

1-4. VFC ELIGIBLE: These four categories are those by which the child may qualify for Vaccines for Children. You may request a "Report of Doses Administered By Age Category" from the state (as explained below) or by using your facilities unique percentage of children enrolled in Medicaid, no health insurance, etc..

5. SUBTOTAL VFC ELIGIBLE (TOTAL 1-4): add columns 1-4

6. The number of children in your practice enrolled in Nevada Check Up.

7. All remaining children including those whose insurance covers immunization (with or without a deductible) and others not covered under the VFC Program.

8. TOTAL NUMBER OF CHILDREN SERVED BY YOUR FACILITY: This is the grand total of all unduplicated children that your clinic/facility/practice anticipates will be immunized in a 12-month period. Unduplicated, means counting a child only once even though the same child may receive immunization several times during the year. The number must come from hard data not just estimates.

You may request a "Report of Doses Administered By Age Category" from the state. This "Report of Doses Administered By Age Category" is compiled from your clinic's submission of the "Monthly Usage And Inventory Report". If used it must be converted into the numbers of children being served. Please take note, this is a report of all shots given and not broken into the categories requested above other than age groups.

Example Formulas:

<1 and 1-6 Years Age Group

Every 3 doses of diphtheria containing product administered to children <1 year old is equivalent to one child. Every 4th dose of diphtheria containing product administered to a child 1-6 years of age is equivalent to one child. Therefore, 5 doses of diphtheria containing product are equivalent to 3 children.

7-18 Years Age Group

Every dose of measles containing vaccine administered to a child 7-18 years of age is equivalent to one child.

OR

If you use your facilities unique percentage of children enrolled in Medicaid, no health insurance, American Indian, Alaskan Native, etc you would multiply that unique percentage by your total number of children in that age group to obtain the number of children for each category.

Of your total number for each age group how many are expected to be VFC eligible, by category?

1. What percent of your immunized children are enrolled in Medicaid? _____ %
 2. What percent of your immunized children have no health Insurance? _____ %
 3. What percent of your immunized children are American Indian/Alaskan Native? _____ %
 4. What percent of your immunized children are underinsured? _____ %
- (fill out only if you are a FQHC or RHC)

Example: if 58 % of your immunized children are enrolled in Medicaid, and you have 130 children <1Year Old then multiply 130 by .58 which equals 75 children. The 75 children would be placed in the blank box in #1 labeled <1 Year Old, which is also in the "Enrolled in Medicaid".

STATE OF NEVADA

JIM GIBBONS
Governor

ALEX HAARTZ, MPH
Administrator

MICHAEL J. WILLDEN
Director

BRADFORD LEE, M.D.
State Health Officer



DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION
Bureau of Community Health
4150 Technology Way Suite, 101
Carson City, NV 89706
(775) 684-5900
FAX (775) 684-8338

VFC ONLY DESIGNATED VACCINES

Hepatitis A, Plevnar® (PCV7), Comvax®, Pediarix®, Menactra® (MCV4), RotaTeq® (Rotavirus), and Gardasil® (HPV)

State-supplied Hepatitis A, Plevnar® (PCV7), Comvax®, Pediarix®, Menactra® MCV4, Rota Teq® (rotavirus) and Gardasil (HPV), vaccine are available only for children who qualify for the Vaccines for Children program (VFC). Under Federal guidelines, a child must meet one of the following criteria to qualify for the VFC program:

- 1) Medicaid enrolled
- 2) Uninsured
- 3) American Indian or Alaskan Native
- 4) Underinsured: **NOTE:** Underinsured children are eligible to receive VFC vaccine (those listed above) only at a Federally Qualified Health Center (FQHC), Rural Health Clinic (RHC), County Health Districts or Nevada State Health Division Community Health Nursing.

Nevada Check-Up children are eligible to receive all state-supplied vaccines, including: Hepatitis A, Plevnar (PCV7), Comvax®, Pediarix®, Menactra® (MCV4), RotaTeq® (rotavirus) and Gardasil® (HPV).

I will administer VFC designated vaccine: Hepatitis A, Plevnar (PCV7), Comvax®, Pediarix®, Menactra® (MCV4), RotaTeq® (rotavirus) and Gardasil® (HPV) only to children, birth through 18 years of age who qualify under one or more of the above mentioned criteria. I will adhere to the appropriate immunization schedule, dosage, and contraindication, as established by the Advisory Committee on Immunization Practices (ACIP). I will record and maintain records of the patients' VFC status for a period of 6 years.

Provider PIN # _____
(4-digit number issued by the State Immunization Program)

Provider Name _____

Provider Signature _____

Date _____

Nevada State Immunization Program
Linda Platz, RN, BS
4150 Technology Way Suite 101
Carson City, Nevada 89706
Phone: 775-684-5913 Fax: 775-684-8338

ATTACHMENT B

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



ALEX HAARTZ, MPH
Administrator

BRADFORD LEE, M.D.
State Health Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION
Bureau of Community Health**

4150 Technology Way, Ste 101
Carson City, NV 89706
(775) 684-5900
FAX (775) 684-5998

March 12, 2007

Nevada Immunization Providers

Re: Change to Immunization Program Enrollment Agreement

Dear Immunization Provider:

Please be aware that, as a result of a recently completed audit of the Nevada Immunization Program, it is a federal requirement that the Immunization Program disclose to you the following:

1. Funding for the distribution of vaccines and materials through the Immunization Program is provided by the Centers for Disease Control & Prevention through Catalogue of Federal Domestic Assistance (CFDA) number 93.268, Immunization and Vaccines for Children Grants.
2. It is a federal requirement as specified in the Office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003] that each grant sub-recipient annually expending \$500,000 or more in federal funds have an annual audit prepared by an independent auditor in accordance with the terms and requirements of the appropriate circular.

This correspondence serves as your notice that the above noted disclosures will be added to the Immunization Program Enrollment Agreement for the 2008 enrollment period upon receipt of approval from the Centers for Disease Control & Prevention.

Please feel free to contact our agency if there are any questions or concerns.

Amy L. Roukie, MBA, Administrative Services Officer IV
State of Nevada – Health Division

CC. Alex Haartz, Administrator, Health Division
Michael Willden, Director, Health and Human Services
William Chisel, LCB Audit Division
Deborah McBride, Chief, Bureau of Community Health Services
Doug Banghart, Immunization Program Manager

ATTACHMENT C

AUDIT FOLLOW-UP
BUREAU OF COMMUNITY HEALTH

The purpose of this procedure is to follow-up on any audit findings.

The following steps are followed by the Bureau Chief (3224,0006) and the ASO I (3215,0051):

1. In the normal course of business, the Bureau is subject to audit from a variety of sources. The Bureau Chief (3224,0006) or the ASO I (3215,0051) will inform the Health Division Business Office immediately upon notification of an impending audit, pursuant to Health Division Administration Internal Controls *Administrative Controls*. The Bureau Chief (3224,0006) or the ASO I (3215,0051) will inform the Health Division Business Office of the pre-audit and post-audit meeting dates and times and request their attendance. The Bureau Chief (3224,0006) will ensure that appropriate individuals will be available for an audit and will fully cooperate.
2. An audit may contain recommendations and the audit will address a period for a response to the recommendations of the audit. The Bureau Chief (3224,0006) is responsible for implementing any corrective actions and will advise the Health Division Business Office within the time allowed with responses of "implemented, partially implemented or not implemented." Explanations will accompany all responses.
3. The Bureau Chief, within 10 days after receiving either a State or Federal audit report, shall submit one copy of the audit report, management letter (if applicable) and agency's response to the following, in compliance with NRS 353.325:
 - Health Division Administrator (3223,0001), Deputy Administrator (3223,0007), and ASO IV (3223,0002)
 - Director of the Department of Human Resources
 - Director of the Department of Administration
 - State Controller
 - Legislative Auditor
4. An audit may contain findings/recommendations along with time frame(s) for a response to the audit report. The Bureau Chief (3224,0006) will draft a response to the audit authority and submit it to the ASO IV (3223,0002), within two weeks of the receipt of its audit report. That draft will detail the corrective action(s) that has been or will be "implemented, partially implemented, or not implemented" along with detailed explanation(s) of each item and action taken. The Bureau Chief (3224,0006) is responsible for implementing any corrective action(s) called for in the audit report unless otherwise noted in the response.
5. Any Bureau of Community Health program that uses provider agreements must include the following language in the provider agreement: "It is the policy of the Health Division (as well as a federal requirement as specified in the Office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003]) that each grantee annually expending \$500,000 or more in federal funds have an annual audit prepared by an independent auditor in accordance with the terms and

requirements of the appropriate circular. A COPY OF THE FINAL AUDIT REPORT MUST BE SENT TO THE NEVADA STATE HEALTH DIVISION, ATTN: ADMINISTRATIVE SERVICES OFFICER IV, 4150 TECHNOLOGY WAY, SUITE 300, CARSON CITY, NEVADA 89706-2009, within nine (9) months of the close of the Subgrantee's fiscal year."

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-7:

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 “An individual convicted under Federal or State law of any offense which is classified as a felony and which involves the possession, use, or distribution of a controlled substance (as defined the Controlled Substances Act (21 USC 802(6))) is ineligible for assistance if the conviction was based on conduct occurring after August 22, 1996. A State shall require each individual applying for assistance under TANF to state in writing whether the individual or any member of their household has been convicted of such a felony involving a controlled substance”.

TANF application forms used by the State include a question that asks the applicant if they or anyone they live with have ever been convicted of a felony drug offense. One of the case files selected for testing contained an application where this question was not answered. Further review of the case history could not verify the status of the applicant regarding conviction of a felony drug offense.

Questioned Costs: Unknown.

Context: As part of this testing, we selected a sample of 25 TANF case files for our review. One case file contained an application with an unanswered question regarding felony drug offenses. This condition appears to be an isolated incident.

Effect: TANF benefits could have been received by an ineligible recipient.

Cause: Existing policies related to the processing and review of TANF applications were not adhered to.

Recommendation: We recommend the Division of Welfare and Supportive Services reinforce compliance with existing policies related to the processing and review of TANF applications.

Management's Response: See management's response on pages 144 and 146.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-8:

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 a child support order through means of an alert entered into NOMADS during 2006. It is the State's policy to terminate, rather than reduce, benefits in such cases. However, this policy was not uniformly adhered to.

Questioned Costs: \$348. Of the two cases that did not have their TANF assistance terminated in response to the alert entered into NOMADS, the system indicated one case had cash benefits totaling \$348 paid after the alert was entered, and before the fiscal year end, during which time the TANF recipient was no longer eligible for benefits.

Context: The condition noted above appears to be a systemic problem. NOMADS identified numerous cases where the TANF recipient was identified by the State's IV-D agency as being non-cooperative with a child support order in 2006. Of the 25 cases selected from this population for testing, two cases did not have their TANF assistance terminated in response to the alert entered into NOMADS.

Effect: Benefits were paid to a recipient who was no longer eligible.

Cause: Individual case managers did not respond to the alerts entered into NOMADS informing them the TANF recipient was not cooperating with a child support order.

Recommendation: We recommend the Division of Welfare and Supportive Services continue to reinforce compliance with existing policies related to case file management, specifically responding to alerts entered into the NOMADS system.

Management's Response: See management's response on pages 144 and 146.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-9:

Low-Income Home Energy Assistance, CFDA 93.568:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.568 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Compliance Supplement includes a Period of Availability requirement that at least 90 percent of the LIHEA block grant funds must be obligated in the fiscal year in which they are appropriated. There are no limits on the time period for expenditure of funds.

The Division of Welfare and Supportive Services did not maintain adequate documentation to support that the Period of Availability requirement was met for the Federal Year 2005. It was noted that adjustments were made in the accounting system at the end of the State fiscal year 2006 to reclassify allowable energy assistance costs that occurred in Federal Year 2005 to the LIHEA program in order to meet the Period of Availability requirement, but the determination of those amounts for reclassification could not be substantiated.

Questioned Costs: None.

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

Effect: Inappropriate amounts may have been charged to the grants.

Cause: The Division of Welfare and Supportive Services did not have adequate procedures in place to support their efforts of ensuring that an adequate amount of funds are obligated within the required timeframe.

Recommendation: We recommend the Division of Welfare and Supportive Services enhance the accounting process to include monitoring the award obligations throughout the year and maintaining support for obligated amounts.

Management's Response: See management's response on pages 144 through 147 .

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-10:

Low-Income Home Energy Assistance, CFDA 93.568:

<i>Grant Award Number:</i>	Affects grant awards G-0401NVLIEA included under CFDA 93.568 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement includes the provision that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.</p> <p>During fiscal year 2006, the Division of Welfare and Supportive Services received cash draws of \$991,900 for the grant listed above, although cumulative grant expenditures at June 30, 2006 were only \$215,128.</p>
<i>Questioned Costs:</i>	Undeterminable.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Interest may have been earned on advances and not have been reported as required.
<i>Cause:</i>	The Division of Welfare and Supportive Services did not have adequate procedures in place to minimize the time elapsing between the transfer of LIHEA funds from the U.S. Treasury and disbursement.
<i>Recommendation:</i>	We recommend the Division of Welfare and Supportive Services enhance the accounting process to include monitoring the balance of cash on hand in order to minimize the time between the transfer of funds to the State and the payout for program purposes.
<i>Management's Response:</i>	See management's response on pages 145 and 147.



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

NANCY KATHRYN FORD
Administrator

JIM GIBBONS
Governor

March 8, 2007

Ms. Rosa Chapman, Program Analyst
 HHS, Administration for Children and Families
 Office of Community Services
 Division of Energy Assistance, Region IX
 Aerospace Building, 5th Floor West
 370 L'Enfant Promenade, S.W.
 Washington, D.C. 20447

Dear Ms. Chapman,

Kafoury, Armstrong & Co., Certified Public Accountants 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, 2006. Included in the audit were the grants for Temporary Assistance for Needy Families (TANF), CFDA 93.558, and Low-Income Home Energy Assistance (LIHEA), CFDA 93.568. Kafoury, Armstrong's findings 06-7 through 06-10 concern these programs.

Finding 06-7 Resulted in the Following Recommendation:

We recommend the Division of Welfare and Supportive Services reinforce compliance with existing policies related to the processing and review of TANF applications.

DWSS Response:

The Division of Welfare and Supportive Services has reviewed and agrees with this finding. Staff are trained to review the application form with the applicant ensuring all questions are answered. They also compare the current application to the previous application to clarify any discrepancies.

This issue will be brought to the attention of the Employment Development Manager specifically to ensure the importance of answering the felony drug conviction question is stressed during new staff training. Staff will monitor this adherence to policy through Internal Quality Control and Supervisory and Management Evaluation reviews to ensure this was an isolated incident and not an ongoing issue. They also will ensure any exceptions to this policy adherence are corrected immediately. If needed, program staff will provide training on application review.

Finding 06-8 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services continue to reinforce compliance with existing policies related to case file management, specifically responding to alerts entered into the NOMADS system.

DWSS Response:

The Division of Welfare and Supportive Services has reviewed and agrees with this finding. Staff are instructed to react to alerts generated from the Child Support Enforcement Program as soon as they are received and react and respond to emails notifying them of non-cooperation with Child Support.

This had been a finding in the past and appeared to have been corrected. Staff will continue to monitor this adherence to policy through Internal Quality Control and Supervisory and Management Evaluation reviews. Any instance of non-compliance identified will be quickly corrected. In addition, two full-time policy staff are now stationed in the Southern Professional Development Center and available to provide training, if needed.

Finding 06-9 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services enhance the accounting process to include monitoring the award obligations throughout the year and maintaining support for obligated amounts.

Working for the Welfare of ALL Nevadans

Rosa Chapman
March 8, 2007
Page 2

DWSS's Response:

The Division of Welfare and Supportive Services has reviewed this finding. While the Division maintains LIHEA expenditures were obligated in accordance with the Period of Availability requirement for the Federal Fiscal Year 2005, we concur supporting documentation was inadequate to substantiate compliance. The lack of documentation results from a computer problem which caused the loss of certain LIHEA historical data, including support documentation for the FFY 2005 obligation amounts.

At present, the Division is reorganizing duties related to the LIHEA Program, with responsibility for federal fiscal reports reassigned from program staff to the Accounting Unit. The Accounting Unit has established internal control procedures for federal fiscal reporting that mitigate federal compliance failures. In addition, the Unit is developing and documenting LIHEA-specific procedures, controls, and monitoring processes to ensure LIHEA funds are adequately obligated, obligations are timely and adequate hard copy documentation of obligated amounts is maintained. The Unit anticipates full implementation of this process by June 30, 2007.

Finding 06-10 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services enhance the accounting process to include monitoring the balance of cash on hand in order to minimize the time between the transfer of funds to the State and the payout for program purposes.

DWSS's Response:

The Division of Welfare and Supportive services concurs with this finding and has taken steps to address the agency's need to establish more effective controls over federal cash management prior to the finding's publication.

Earlier in the year, the Division engaged a contractor to evaluate the agency's cash management practices and develop a more effective method for monitoring cash balances in relation to program expenditures. This evaluation resulted in development of a Cash Management System which facilitates matching expenditures with appropriate funding sources, and analysis of cash balances prior to submission of federal draw requests. The system was implemented in February of this year, and while not yet 100% functional, has proven helpful in minimizing timing discrepancies between the transfer of federal funds to the State and the payment of program expenditures.

In addition, the Accounting Unit will expand existing federal authority tracking schedules to clearly indicate grants within a program earmarked for special purposes. This will ensure federal funds with specific usage requirements are not drawn to cover general program expenditures in error.

The Accounting Unit has prioritized establishing and maintaining procedures for effective cash management. It is estimated that the above procedures will be fully implemented and documented by June 30, 2007.

If you have any questions, please contact Jeanne Gregg, Auditor III, at 775-684-0564.

Sincerely,



Nancy Kathryn Ford
Administrator

pc: Timothy K. Brown, Audit Supervisor, Legislative Counsel Bureau
Roger Mowbray, Deputy Administrator, Administrative Services
Gary Stagliano, Deputy Administrator, Program/Field Operations
Lynn Massell, Chief Accountant
Sue Smith, Chief, Budget & Statistics
Mark Costa, Administrative Officer II
Jeanne Gregg, Auditor III, Budget & Statistics



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

NANCY KATHRYN FORD
Administrator

March 8, 2007

Mr. John Coakley, Program Specialist
Administration for Children & Families, Region IX
50 United Nations Plaza, Room 450
San Francisco, California 94102

Dear Mr. Coakley,

Kafoury, Armstrong & Co., Certified Public Accountants 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, 2006. Included in the audit were the grants for Temporary Assistance for Needy Families (TANF), CFDA 93.558, and Low-Income Home Energy Assistance (LIHEA), CFDA 93.568. Kafoury, Armstrong's findings 06-7 through 06-10 concern these programs.

Finding 06-7 Resulted in the Following Recommendation:

We recommend the Division of Welfare and Supportive Services reinforce compliance with existing policies related to the processing and review of TANF applications.

DWSS Response:

The Division of Welfare and Supportive Services has reviewed and agrees with this finding. Staff are trained to review the application form with the applicant ensuring all questions are answered. They also compare the current application to the previous application to clarify any discrepancies.

This issue will be brought to the attention of the Employment Development Manager specifically to ensure the importance of answering the felony drug conviction question is stressed during new staff training. Staff will monitor this adherence to policy through Internal Quality Control and Supervisory and Management Evaluation reviews to ensure this was an isolated incident and not an ongoing issue. They also will ensure any exceptions to this policy adherence are corrected immediately. If needed, program staff will provide training on application review.

Finding 06-8 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services continue to reinforce compliance with existing policies related to case file management, specifically responding to alerts entered into the NOMADS system.

DWSS Response:

The Division of Welfare and Supportive Services has reviewed and agrees with this finding. Staff are instructed to react to alerts generated from the Child Support Enforcement Program as soon as they are received and react and respond to emails notifying them of non-cooperation with Child Support.

This had been a finding in the past and appeared to have been corrected. Staff will continue to monitor this adherence to policy through Internal Quality Control and Supervisory and Management Evaluation reviews. Any instance of non-compliance identified will be quickly corrected. In addition, two full-time policy staff are now stationed in the Southern Professional Development Center and available to provide training, if needed.

Finding 06-9 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services enhance the accounting process to include monitoring the award obligations throughout the year and maintaining support for obligated amounts.

John Coakley
March 8, 2007
Page Two

DWSS's Response:

The Division of Welfare and Supportive Services has reviewed this finding. While the Division maintains LIHEA expenditures were obligated in accordance with the Period of Availability requirement for the Federal Fiscal Year 2005, we concur supporting documentation was inadequate to substantiate compliance. The lack of documentation results from a computer problem which caused the loss of certain LIHEA historical data, including support documentation for the FFY 2005 obligation amounts.

At present, the Division is reorganizing duties related to the LIHEA Program, with responsibility for federal fiscal reports reassigned from program staff to the Accounting Unit. The Accounting Unit has established internal control procedures for federal fiscal reporting that mitigate federal compliance failures. In addition, the Unit is developing and documenting LIHEA-specific procedures, controls, and monitoring processes to ensure LIHEA funds are adequately obligated, obligations are timely and adequate hard copy documentation of obligated amounts is maintained. The Unit anticipates full implementation of this process by June 30, 2007.

Finding 06-10 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services enhance the accounting process to include monitoring the balance of cash on hand in order to minimize the time between the transfer of funds to the State and the payout for program purposes.

DWSS's Response:

The Division of Welfare and Supportive services concurs with this finding and has taken steps to address the agency's need to establish more effective controls over federal cash management prior to the finding's publication.

Earlier in the year, the Division engaged a contractor to evaluate the agency's cash management practices and develop a more effective method for monitoring cash balances in relation to program expenditures. This evaluation resulted in development of a Cash Management System which facilitates matching expenditures with appropriate funding sources, and analysis of cash balances prior to submission of federal draw requests. The system was implemented in February of this year, and while not yet 100% functional, has proven helpful in minimizing timing discrepancies between the transfer of federal funds to the State and the payment of program expenditures.

In addition, the Accounting Unit will expand existing federal authority tracking schedules to clearly indicate grants within a program earmarked for special purposes. This will ensure federal funds with specific usage requirements are not drawn to cover general program expenditures in error.

The Accounting Unit has prioritized establishing and maintaining procedures for effective cash management. It is estimated that the above procedures will be fully implemented and documented by June 30, 2007.

If you have any questions, please contact Jeanne Gregg, Auditor III, at 775-684-0564.

Sincerely


Nancy Kathryn Ford
Administrator

pc: Timothy K. Brown, Audit Supervisor, Legislative Counsel Bureau
Roger Mowbray, Deputy Administrator, Administrative Services
Gary Stagliano, Deputy Administrator, Program/Field Operations
Lynn Massell, Chief Accountant
Sue Smith, Chief, Budget & Statistics
Mark Costa, Administrative Officer II
Jeanne Gregg, Auditor III, Budget & Statistics

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-11:

Community Services Block Grant, CFDA 93.569:

<i>Grant Award Number:</i>	Potentially affects all grant awards under CFDA No. 93.569 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.</p> <p>There was no documentation available to confirm that the most recent audit report was received and reviewed for one of the five subrecipients tested, and the audit report could not be located in the office.</p>
<i>Questioned Costs:</i>	None
<i>Context:</i>	The condition noted above appears to be an isolated instance.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected by the State.
<i>Cause:</i>	Although the State had procedures in place to monitor the receipt of the required reports and keep the reports on file, they did not retain documentation to support the receipt and review of the audit reports, and they could not locate the audit report.
<i>Recommendation:</i>	We recommend the State maintain adequate support of monitoring efforts and that this support be retained for review.
<i>Management's Response:</i>	See management's response on page 149.



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

Joseph M. Lonergan
Director, Office of mandatory grants
Department of Health & Human Services
Administration for Children & Families
370 L'Enfant Promenade, SW
Washington, DC 20447

Dear Mr. Lonergan,

Kafoury, Armstrong & Co., CPAs, performed an annual Single Audit of two Federal grant programs which are administered by the Nevada Department of Health & Human Services, Grants Management Unit, for the state fiscal year ended June 30, 2006. Included in the audit was the community Services Block Grant (CSBG) CFDA 93569 program. Kafoury, Armstrong's Finding 06-11 concerns this program. Finding 06-11 resulted in the following recommendation:

"We recommend the State maintain adequate support of monitoring efforts and that this support be maintained for review."

Response: The Department of Health & Human Services acknowledges this finding and will take the steps described in the Corrective Action below to implement the recommendation.

Corrective Action: The Nevada Department of Health & Human Services will continue to maintain an audit tracking checklist to track when audits are due from CSBG recipient agencies. Agencies will be required to submit a copy of their annual audit when it has been completed. The State CSBG Program Manager will ensure that all audits are submitted and will periodically check the office audit files to verify that copies of submitted audits have been filed.

If you have any questions, please do not hesitate to contact me at 775-684-4000 or mtorvinen@dhhs.nv.gov.

Regards,

A handwritten signature in black ink that reads "Michael Torvinen".

Michael Torvinen, Deputy Director
Fiscal Services

Cc: Gary Gobelman, Program Manager
Debra Clark, CPA, Kafoury, Armstrong & Co.
Mike Willden, Director, DHHS

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-12:

Foster Care Title IV-E, CFDA 93.658:
Adoption Assistance, CFDA 93.659:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement states that a pass-through entity is responsible for monitoring a subrecipient's use of Federal awards including validating the accuracy and allowability of claimed costs.</p> <p>The Division of Child and Family Services did not perform adequate procedures to validate the accuracy of the allocated costs claimed by a subrecipient.</p>
<i>Questioned Costs:</i>	None
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Inappropriate amounts may be charged to the grant.
<i>Cause:</i>	The Division of Child and Family Services did not have policies and procedures in place that would require monitoring a subrecipient's use of Federal funds and, as such, the Division did not validate the accuracy of the allocated costs claimed by subrecipients.
<i>Recommendation:</i>	We recommend the Division of Child and Family Services implement policies and procedures that would require monitoring subrecipients' use of Federal funds, including validating the accuracy of allocated costs claimed by subrecipients.
<i>Management's Response:</i>	See management's response on pages 152 through 153.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-13:

Foster Care Title IV-E, CFDA 93.658:
Adoption Assistance, CFDA 93.659:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: 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.

During testing of the ACF-IV-E-1 report, we determined that applicable amounts included in the accounting system were not included on the Cost Allocation Plan supporting worksheets which were used to prepare the ACF-IV-E-1 report.

Additionally, it was noted that keying errors on the supporting worksheets resulted in incorrect calculations on the ACF-IV-E-1 report.

Questioned Costs: None.

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

Effect: Amounts included on the ACF-IV-E-1 report were not supported by the underlying data records in the State's accounting system.

Cause: The Division of Child and Family Services did not have adequate procedures in place to review the ACF-IV-E-1 prior to each quarter's filing.

Recommendation: We recommend the of Division of Child and Family Services enhance the reporting review process to ensure all amounts required to be reported on the ACF-IV-E-1 are included.

Management's Response: See management's response on pages 153 through 154.



**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF CHILD AND FAMILY SERVICES**

**4126 Technology Way – 3rd Floor
Carson City, Nevada 89706
(775) 684-4400**

March 9, 2007

Mr. Joseph M. Lonergan
Director, Office of Mandatory Grants
Administration for Children and Families
Department of Health and Human Services
330 C Street, S.W.
Washington, D.C. 20447

Dear Mr. Lonergan:

Kafoury, Armstrong and Company, Certified Public Accountants performed an annual Single Audit for the fiscal year ended June 30, 2006. The Single Audit was performed in relation to the Foster Care Program, Title IV-E, CFDA 93.658. The State of Nevada, Division of Child and Family Services (DCFS) administers this Federal Entitlement Program. In conclusion to the exit conference on February 28, 2006 the following finding was presented in relation to the Title IV-E Foster Care, CFDA 93.658 and Adoption Assistance, CFDA 93.659. This letter serves as our response to the finding and recommendation:

Finding 06-12: THE OMB Circular A-133 Compliance Supplement states that a pass-through entity is responsible for monitoring a sub recipient's use of Federal awards including validating the accuracy and allowability of claimed costs.

The Division of Child and Family Services did not perform adequate procedures to validate the accuracy of the allocated costs claimed by a sub recipient.

Recommendation – "We recommend the Division of Child and Family Services implement policies and procedures that would require monitoring sub recipients' use of Federal funds, including validating the accuracy of allocated costs claimed by sub recipients."

Response:

The Division of Child and Family Services (DCFS) concurs that procedures to validate the accuracy of the allocated and allowable costs claimed by a subrecipient were not adequate. The Division has Interlocal contract agreements with Washoe County Department of Social Services and Clark County Department of Family Services for Title IV-E pass-through funds as approved in their individual Cost Allocation Plans. DCFS reviews the County audit reports to verify that the subrecipient had "no audit findings" and that the required audit was performed.

Corrective Action Plan:

DCFS will develop written Policies & Procedures and Internal Controls to assure subrecipient's appropriate use of Title IV-E pass-through funds.

The written procedures and internal controls will outline the compliance requirements under the OMB A-133 Compliance Supplement:

- 1) *Reporting* – Reviewing financial and performance reports submitted by the subrecipients.
- 2) *Site Visits* – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- 3) *Regular Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.
- 4) *Review Process* – Review of the subrecipient's policies and procedures and discussion with County staff to provide reasonable assurance that subrecipients used Federal pass-through for authorized purposes, complied with laws, regulations and the provisions of contract agreements and achieved performance goals.

Finding 06-13: 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.

During testing of the ACF-IV-E-1 report, we determined that applicable amounts included in the accounting system were not included on the Cost Allocation Plan supporting worksheets which were used to prepare the ACF-IV-E-1 report.

Additionally, it was noted that keying errors on the supporting worksheets resulted in incorrect calculations on the ACF-IV-E-1 report

Recommendation – “We recommend the Division of Child and Family Services enhance the reporting review process to ensure all amounts required to be reported on the ACF-IV-E-1 are included.”

Response: The Division of Child and Family Services (DCFS) concurs that the supporting records contained an incorrect rate, due to a keying error, which resulted in the total expenditures being incorrectly recorded on the report.

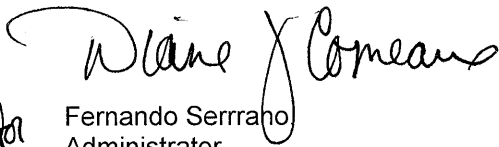
Corrective Action Plan:

DCFS is developing procedures to ensure that reports include both total amounts and Federal share amounts that reconcile to underlying accounting records. These procedures include performing a detailed supervisory review of the reports and the underlying supporting documentation prior to submission. DCFS has also added another position to the fiscal unit whose responsibility will be to perform this review.

DCFS has also updated the supporting worksheets to allow for a single point of entry for percentage calculations which are linked to other tabs within the worksheet. The keyed percentages are also visible on the summary page which allows for supervisory review.

If you have any questions or need additional information, please contact Danette Kluever at (775) 684-4414.

Sincerely,



for
Fernando Serrano
Administrator
Division of Child and Family Services

DC/dk

cc: Andrew K Clinger, Director, Department of Administration
Elizabeth Barber, Deputy Director, Department of Administration
Mike Willden, Director, Department of Human Resources
Michael Torvinen, Administrative Services Officer IV, Department of Human Resources
Tim Brown, Deputy Legislative Auditor, Nevada Legislative Counsel Bureau
Diane Comeaux, Deputy Administrator, Division of Child and Family Services
Danette Kluever, Administrative Services Officer III, Division of Child and Family Services
David King, Auditor, Division of Child and Family Services
Debra Clark, CPA, Kafoury, Armstrong and Company

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 06-14:

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:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.775, 93.776, 93.777 and 93.778 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: OMB Circular A-133 requires that the State establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

The State of Nevada has assigned the responsibility for performing and documenting the ADP system security reviews to the Information Systems Department of the Division of Health Care Financing and Policy, Department of Health and Human Services. While the Division's policies and procedures address the ADP system security reviews, and the Division's personnel assert that the reviews are being performed, there was no documentation to evidence that the reviews occurred and what the results of the reviews were.

Questioned Costs: None.

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

Effect: The lack of documentation to support that the ADP system security reviews occurred prevents any testing to ensure the reviews have been performed and what the results of the reviews were.

Cause: The Division of Health Care Financing and Policy did not document the ADP system security reviews that were performed.

Recommendation: We recommend the Division of Health Care Financing and Policy develop written documentation to evidence the performance of ADP system security reviews and that this documentation be retained for review.

Management's Response: See management's response on page 157.



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

MICHAEL J. WILLDEN
Director

JIM GIBBONS
Governor

CHARLES DUARTE
Administrator

3/19/2007

Ms. Linda Minamoto
 Centers for Medicare & Medicaid Services
 Division Medicaid
 90 7th Street, Suite 5-300 (5W)
 San Francisco, CA 94103

Dear ~~Mr. Rushin~~, *Ms. Minamoto*:

I am responding to the recent finding 06-14. The criteria states:
 OMB Circular A-133 requires that the State establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS program on a biennial basis.

The recommendation states:
 We recommend the Division of Health Care Financing and Policy develop written documentation to evidence the performance of ADP system security reviews.

Currently Division IT staff are doing these reviews as a part of their job. We do not have a formal checklist documenting the process and results. This checklist is being developed and will be completed before the next audit. Additionally, we will use this checklist to document the reviews. All documentation will be maintained to evidence our findings.

Sincerely,

 Mel Rosenberg
 Department Health and Human Services
 Division of Health Care Financing and Policy
 Chief, IT

KIM R. WALLIN,
CMA, CFM, CPA
State Controller

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



BILL REINHARD
Acting Chief Deputy Controller

ALEX ECHO
Data Processing Manager

OFFICE OF THE
STATE CONTROLLER

March 13, 2007

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, 2006.

Finding 04-02:

Program: General Services Administration
Election Report Payments, CFDA 39.011

Finding Summary: As noted in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, budget estimates determined before the services are performed do not qualify as support for charges to Federal awards.

The State budgeted for two positions to be charged to this grant. Although these positions were not filled, costs for insurance and benefits were charged to the grant based on the budgeted positions.

State's Response: The Secretary of State's office has prepared a request for the Budget Office to remove all charges levied against these vacant positions in FY 04. Since we are now in FY 05 and no adjustments can be made to FY 04, we have recommended a reversal of the current year's charges correcting the earlier mistakes and correcting the expendable balance in the Federal program.

Finding Status: The Secretary of State's office has completed a reconciliation of HAVA funds for state Fiscal Years 2004, 2005, and 2006. The reconciliation included verifying Federal revenues received, ensuring accrued interest was credited to the appropriate Federal revenue source within the fund, and ensuring expenditures were both allowable and appropriate under Federal and state law. Funds have been balanced forward to state Fiscal Year 2007, and designated for expenditure by budget category and purpose as authorized under Federal law. Beginning in Fiscal Year 2007,

State Capitol
101 N. Carson Street, Suite 5
Carson City, Nevada 89701-4786
(775) 684-5750
Fax (775) 684-5696

158
www.controller.nv.gov

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 4300
Las Vegas, Nevada 89101-1071
(702) 486-3895
Fax (702) 486-3896

quarterly reconciliations of HAVA funds will be performed – a process which will include verifying that all expenditures from the previous quarter were allowable and appropriate under Federal law. This information has been provided to the Budget Division via the work program process, as well as in meeting with the agency budget analyst Deputy Budget Director Elizabeth Barber.

The charges, which were originally the subject of the 2004 audit, were driven by full-time employee count, and are formula driven and deducted from each budget account with employee salaries. This office agrees the charges are not allowable costs under the Federal grant structure; however, we were unable either as an agency nor working with the Budget Division to have the deductions credited to the HAVA budget account. Therefore, we have transferred funds from a state-funded budget account to the HAVA budget account to reimburse the Federal grant funds for the unallowable charges. Additionally, we have put internal controls in place to monitor for appropriate expenditures. Should such unallowable charges be automatically deducted from the HAVA budget account in the future, state funds will be transferred to the HAVA budget account to reimburse the Federal grant funds for the unallowable expenditures.

The above-mentioned processes should conclude and complete necessary corrective action from the 2004 audit.

Finding 04-7:

Program: Department of Health and Human Services
Child Care Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Finding Summary: As noted in OMB Circular A-133, Appendix B, reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by the underlying accounting records, and should be fairly presented in accordance with program requirements.

During testing of the ACF-696 reports we determined that applicable amounts included in the accounting system and on the supporting worksheets were not included on the FY 2003 ACF-696 report.

Additionally, it was noted that several adjustments were made in the accounting system at the end of fiscal years 2003 and 2004 to reconcile the financial information in the accounting system to support provided to the Division of Welfare and Supportive Services on Contractor invoices throughout the two years. The adjustments made for the year ended June 30, 2003 were not reflected in the ACF-696 report submitted in August 2003.

State's Response: The Division of Welfare and Supportive Services is developing procedures for reviewing the Federal report as recommended in the audit. Changes to the budget account structure that will allow improved and timely accounting for contractor expenditures have been requested in the biennial budget submitted to the Legislature. We have also requested funding for the development of a Child Care data system that will provide us with more timely and accurate contractor expenditure information.

Finding Status: An invoice system has been developed and implemented to provide timely and accurate contractor expenditure linkage with both the State accounting system and required Federal fiscal reports through the use of spreadsheets.

Finding 04-9:

Program: Department of Health and Human Services
Foster Care__Title IV-E, CFDA 93.658

Finding Summary: As noted in OMB Circular A-133, Appendix B, reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by underlying accounting records, and should be fairly presented in accordance with program requirements.

The Federal share of expenditures is entered on Form ACF-IV-E-1, and the Total Computable amounts are then calculated based on the Federal share and the applicable match rates. It appears that the supporting records contained an incorrect rate, due to a keying error, which resulted in the total expenditures being incorrectly recorded on the report.

State's Response: DCFS is developing procedures to ensure that reports include both total amounts and Federal share amounts that reconcile to underlying accounting records. These procedures will include performing a detailed supervisory review of the reports and the underlying supporting documentation prior to submission.

Finding Status: DCFS has completed procedures and internal controls to ensure that the reports reconcile to the approved Federal Medical Assistance Percentages (FMAP) rate. DCFS successfully obtained access to the On-Line Data Collection (OLDC) system in December 2005 and began utilizing system for filing the quarterly financial reports for the quarter ending March 31, 2006.

Finding 05-1:

Program: Department of Education
Title I Grants to Local Educational Agencies, CFDA 84.010
English Language Acquisition Grants, CFDA 84.365

Finding Summary: The OMB Circular A-133 Cross-Cutting Section Compliance Supplement requires that the State Department of Education must reduce the amount of funds granted to a subrecipient in any fiscal year that the subrecipient fails to maintain fiscal effort.

Though compliance was met, during testing of the internal controls over this requirement, we noted that the report that documents the subrecipients' Maintenance of Effort levels was not prepared using enrollment information for the appropriate years. As a result, the individuals responsible for determining subrecipient grants were provided inaccurate information of the subrecipients' Maintenance of Effort.

State's Response: The Nevada Department of Education acknowledges this finding and has the steps to implement the recommendation. The auditors noted that in the "Maintenance of Effort Study-ESEA Programs," which is prepared annually by NDE's fiscal services office that the enrollments shown for FY2003 were actually those for FY2002. The result was that the percentages change per student between the two years of the student were overstated. The maintenance of effort can be demonstrated by showing that the total state and local funding for the school district exceeds 90% of the prior year either 1) in total state and local funding; or 2) in per student state and local funding. The study shows that the maintenance of effort was demonstrated by total state and local funding and the student calculation was therefore not necessary. The error in the Maintenance of Effort Study this year resulted from the change in staff from one person who had completed the study for many years, to her replacement. However, NDE strives to prepare and present errorless reports and for that reason accepts the recommendation.

The steps required to complete the Maintenance of Effort study are completely documented in the Desk Manual for the staff position involved. NDE has added a note to the Desk Manual reinforcing the necessity of updating the enrollments for both years involved in the study.

Finding Status: The corrective action noted above has been fully implemented. We have had correspondence with the US Department of Education who has initially deemed our response sufficient. We are awaiting final determination from USDOE.

Finding 05-2:

Program: Department of Education
Twenty-First Century Community Learning Centers, CFDA 84.287

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that a minimum of 95 percent of the Federal Twenty-First Century Community Learning Centers funds must be distributed to eligible entities, a maximum of two percent may be used for State administration, and a maximum of three percent may be used for State activities.

Our test work indicated that the Department of Education did not have sufficient internal controls in place to adequately identify and monitor the expenditures related to State administration and State activities.

State's Response: The Nevada Department of Education (NDE) acknowledges this finding and will be taking the steps described in the corrective action to implement the recommendation. The auditors noted that NDE did not have sufficient definition in its internal accounting system or in the State's accounting system to be able to demonstrate the earmarking of the 5% of the grant funding that is available for State use. NDE has accounted for the 95% of the funding that must be distributed to eligible agencies by using a separate category (Budget Account 2709, Category 66). The funding available to the State has been accounted for either in Category 01 – "Personnel Services" or in category 65 – "21st Century Learning Centers – Admin & T/A." The requirement that a maximum of two percent be used for State Administration and a maximum of three percent be used for State activities was observed by NDE's staff responsible for the program. However, those requirements were not documented either in the State's accounting system or in the NDE's internal grant accounting system.

NDE will be 1) restructuring the State's accounting system for this grant by adding category 64 "21st Century Learning – State Activities" to budget account 2709 and renaming Category 65 "21st Century Learning – Admin;" and 2) restructuring NDE's internal grant accounting system to clearly identify expenditures appropriately charged to the 2% and 3% requirements.

Finding Status: The corrective action noted above has been partially implemented. FY 2006 will be handled by documenting the breakdown of State Activities and Administrative Costs on a spreadsheet for Federal reporting purposes. NDE is in the process of creating a work program document to adjust the budget categories for FY 2007. The use of three categories to track the 21st Century Learning grant was built into our 2008-2009 budget submission. NDE is in the process of updating its internal grant accounting spreadsheets to accommodate the extra category. NDE should complete its internal changes by November 30, 2006 and submit any budgetary changes to the Budget Division for inclusion on the next Interim Finance Committee meeting agenda.

Finding 05-3:

Program: Department of Education
Reading First State Grants, CFDA 84.357

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that the State may not reserve more than 20 percent of the Reading First State Grants funds for State level activities. The State may not spend more than 65 percent of the set-aside for Professional Development, 25 percent of the set-aside for Technical Assistance, and

10 percent of the set-aside for State Administration. The State must use any funds not reserved for these purposes for subgrants to Local Educational Agencies (LEAs). Our test work indicated that the Department of Education did not have sufficient internal controls in place to adequately identify and monitor these earmarked amounts.

State's Response:

The Nevada Department of Education (NDE) acknowledges this finding and will take the steps described in the corrective action to implement the recommendation. The auditors noted that NDE did not have sufficient definition in its internal accounting system or in the State's accounting system to be able to demonstrate the earmarking of the 20% of the grant funding that is available for State use. NDE has accounted for the 80% of the funding that must be distributed to eligible agencies by using a separate category (Budget Account 2712, Category 24). The funding available to the State has been accounted for either in Category 01 – "Personnel Services or in Category 23 – "Reading First State Grant – Admin & T/A." The provisions that 10% of the 20% set aside (5% of the grant) may be used for technical assistance; and 65% of the 20% set aside (13% of the grant) may be used for professional development were not documented either in the State's accounting system or in NDE's internal grant accounting system. However, those requirements were known and observed by NDE's staff responsible for the programmatic administration of the program.

NDE will be restructuring the State's accounting system for this grant by adding two new categories to budget account 2712: category 21 "Reading First State Grant – Professional Development" and category 22 "Reading First State Grant – Technical Assistance." In addition Category 23 will be renamed and redefined as "Reading First State Grant – Administration. NDE will also be restructuring its internal grant accounting system to clearly identify expenditures appropriately charged to the 2%, 5% and 13% earmarking requirements.

Finding Status:

The corrective action noted above has been partially implemented. FY 2006 will be handled by documenting the breakdown of Professional Development, Technical Assistance and Administrative Costs on a spreadsheet for Federal reporting purposes. NDE is in the process of creating a work program document to adjust the budget categories for FY 2007. The use of four categories to track the Reading First State Grant was built into our 2008-2009 budget submission. NDE is in the process of updating its internal grant accounting spreadsheets to accommodate the extra category. NDE should complete its internal changes by November 30, 2006 and submit any budgetary changes to the Budget Division for inclusion on the next Interim Finance Committee meeting agenda.

Finding 05-4:

Program: Department of Education
English Language Acquisition Grants, CFDA 84.365

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that a minimum of 95 percent of the Federal English Language Acquisition funds must be distributed to Local Educational Agencies (LEA's), and that a maximum of five percent may be used for State activities and for administration, with not more than 3 percent for administrative purposes.

Our test work indicated that the Department of Education did not have sufficient internal controls in place to adequately identify and monitor the amounts provided to LEA's and used for State activities and administrative expenditures.

State's Response: The Nevada Department of Education (NDE) acknowledges this finding and will be taking the steps described in the corrective action to implement the recommendation. The auditors noted that NDE did not have sufficient definition in its internal accounting system or in the State's accounting system to be able to demonstrate the earmarking of the 5% of the grant funding that is available for State use. NDE has accounted for the 95% of the funding that must be distributed to eligible agencies by using a separate category (Budget Account 2709, Category 32). The funding available to the State has been accounted for either in Category 01 – "Personnel Services" or in Category 31 – "English Language Acquisition – Admin." The requirement that a maximum of three percent be used for State Administration with the remaining portion of the 5% be used for State Activities was observed by NDE's staff responsible for the program. However, those requirements were not documented either in the State's accounting system or in NDE's internal grant accounting system.

NDE will be restructuring the State's accounting system for this grant by adding category 29 "English Language Acquisition – State Activities" to budget account 2709. Expenditures for State Activities currently accounted for in Category 31 will be moved to Category 29. NDE will also be restructuring its internal grant accounting system to clearly identify expenditures appropriately charged to the earmarking requirements.

Finding Status: The corrective action noted above has been partially implemented. FY 2006 will be handled by documenting the breakdown of State Activities and Administrative costs on a spreadsheet for Federal reporting purposes. NDE is in the process of creating a work program document to adjust the categories for FY 2007. The use of three categories to track the Reading First State Grant was built into our 2008-2009 budget submission. NDE is in the process of updating its internal grant accounting spreadsheets to accommodate the extra category. NDE should complete its internal changes by November 30, 2006 and submit any budgetary changes to the Budget Division for inclusion on the next Interim Finance Committee meeting agenda.

Finding 05-5:

Program: Department of Employment, Training, and Rehabilitation
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126

Finding Summary: 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 trail 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 eligibility testing, we noted instances where the 60-day window was not met.

State's Response: The Department of Employment, Training and Rehabilitation acknowledge this finding and will implement corrective action. The Rehabilitation Division will implement a procedure requiring the review of a weekly report that lists all of the applications that were received 45 days prior to the run date of the report. This aging report, which was recently made available through our new case management system, will be reviewed weekly by the Rehabilitation counselor, the rehabilitation Technician and the Supervisor to ensure that eligibility determinations are rendered within 60 days of receipt as required by the Rehabilitation Act of 1973. In addition, the report will be reviewed monthly by the Chief of Program Services to ensure that the lower level reviews are performed in a timely fashion.

Discussion of this process and a review of the timeliness requirements for eligibility determinations will be held at statewide staff meetings in April of 2006. The process will also be disseminated to all staff via a memo from the Deputy Administrator of Program Services and filed in an electronic reference file maintained for Bureau of Vocational Rehabilitation and Bureau of Services to the blind and Visually Impaired employees. Additional training will be provided as needed.

Finding Status: The Department of Employment, Training and Rehabilitation conducted a statewide training session to emphasize the significance of compliance with the required timeliness of the eligibility determination. To strengthen the documentation within the Division, changes have been made to the Client Policy and Procedures Manual, Section 10: Titled "Eligibility Determination for Vocational Rehabilitation" that now

states: All eligibility determinations must be completed within 60 calendar days from the date the application is received unless an extended evaluation period is required. Also, the Division implemented a procedure requiring a weekly review of the aging report generated in the Rehabilitation client services system, RAISON, to ensure that eligibility determinations are made within 60 days of receipt of the application. The Rehabilitation Technicians, Counselors, Supervisors and District Managers all participate in the review process. Finally, the Chief of Program Services conducts a periodic review of the aging report. All areas of concern are directed to the appropriate District Manager for resolution.

Finding 05-6:

Program: Department of Public Safety
Violent Offender Incarceration and Truth in Sentencing Incentive Grants, CFDA 16.586

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.

The Quarterly Financial Status Report (SF-269) tested was not reconciled to the State's accounting system.

State's Response: The Nevada Department of Public Safety, Office of Criminal Justice Assistance acknowledges this finding and will take steps described in the corrective action to implement the recommendation. The Violent Offender Incarceration/Truth In Sentencing grant began in 1996 and funding was distributed in Tiers through 2001. The grant period ends on September 30, 2006. The State Budget Reports show only the expenditures for each state fiscal year. The SF-269's show cumulative totals from the beginning of the grant award in 1996. Therefore, the SF-269's will not balance with the State Budget Report after the first year of the grant.

The Nevada Department of Public Safety, Office of the Criminal Justice Assistance will develop a declining balance sheet by state fiscal year for the VOI/TIS grant, which will identify all state level expenditures for this grant and will balance to the State Budget Reports.

Finding Status: The corrective action on Finding 05-6 was implemented as stated in our response letter dated March 1, 2006. This grant has now been closed and all funds expended.

Finding 05-7:

Program: Department of Health and Human Services, Division of Welfare and Supportive Services
Child Support Enforcement, CFDA 93.563

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the Catalog of Federal Domestic Assistance (CFDA) title and number, along with the award name and the name of the Federal agency be communicated to all subrecipients. Pass-through entities must also ensure that the subrecipients are aware of the audit requirements of OMB Circular A-133.

During our review of the cooperative agreements with the Counties, it was noted that neither the CFDA number nor a reference to the audit requirements was included in the cooperative agreements.

State's Response: We agree with the finding and are in the process of developing a supplement to be attached to any existing cooperative agreements disclosing information regarding audit requirements of OMB Circular A-133. This supplement stating the Catalog of Federal Domestic Assistance (CFDA) title and number, the award name and the name of the Federal agency will be sent to grant award subrecipients. Pass-through entities will also be reminded that they must ensure subrecipients are aware of the audit requirements. Future agreements will be written to include the above information.

Finding Status: A supplement has been developed to be attached to any existing cooperative agreements disclosing information regarding audit requirements of OMB Circular A-133. The supplement sent to grant award subrecipients states the Catalog of Federal Domestic Assistance (CFDA) title and number, the award name and the name of the Federal agency. Pass-through entities were also reminded they must ensure subrecipients are aware of the audit requirements. New agreements include the above information.

Finding 05-8:

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 TANF program requires the State to obtain certain information from a variety of sources in order to perform the initial and ongoing eligibility requirements.

The Division of Welfare and Supportive Services (DWSS) obtains the information necessary to determine eligibility and enters it into NOMADS, where the eligibility determination is made. The source documentation obtained is placed in a hard-copy

file and maintained and updated as necessary in support of the data entry into NOMADS. One such hard-copy file could not be located.

State's Response: We accept this finding but feel this is an isolated occurrence and not indicative of a larger problem. The Division of Welfare and Supportive Services (DWSS) and business partners are all well educated on record retention responsibilities and routinely exercise effective file control and retention practices. To reinforce this responsibility, DWSS will publish an Informational Memorandum addressing Federal and state record retention timeframes.

Finding Status: The Division of Welfare and Supportive Services (DWSS) is considering the introduction of an automated file tracking system to aid the Division's ability to quickly identify the location and custodian of case files. This solution includes the use of bar codes for file identification and tracking. Each day Divisional staff manually track hundreds of thousands of case files. Daily activities include case transfers between offices, staff members and programs along with monitoring the aging of case for record destruction. These responsibilities are time consuming and offer a high risk for error. The automated solution being considered by DWSS employs the use of bar codes for file identification and creates an individual record for each file, which includes specific information such as client name and other identifying information, DWSS program, date of creation, etc. Through the use of this software, DWSS hopes to reduce staff effort and improve our ability to immediately identify the custodian of any DWSS file. DWSS is still analyzing software offerings and may pursue future funding approval from the Interim Finance Committee.

Finding 05-9:

Program: Department of Health and Human Services, Division of Welfare and Supportive Services

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 a child support order through means of an alert entered into NOMADS during 2005. 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 (DWSS) acknowledges this finding which is consistent with a Divisional diagnosed business concern found during annual office reviews.

To address this concern, DWSS initiated a number of corrective actions steps, which include:

- Policy Reinforcement - Both Child Support Enforcement (CSE) and Public Assistance policy was revisited to ensure there was sufficient clarity and identified responsibilities. An informational memorandum was published to all staff in January 2006 reiterating staff responsibilities associated with non-compliance with Child Support.
- Overdue Report – Staff have initiated a request for a system-generated report, which will identify CSE non-compliance cases with overdue action by the public assistance worker. The report will be proved to each responsible office and monitored by Central Office staff to ensure timely resolution.
- Academy/Training Curriculum – To ensure new DWSS staff are fully aware of this business responsibility, Academy training staff have added emphasis to this subject training within academy and in-service trainings.
- Supervisory Reviews – Each month DWSS Supervisors review a sample of each workers case to identify areas of concern and advance case quality. Supervisors will be asked to place a special emphasis on reviewing for policy compliance in this area.
- Internal Quality Control (QC) Reviews – DWSS employs internal quality control staff who routinely looks at Divisional performance and adherence to policy to identify training opportunities and business process improvements. Internal QC Reviewers will be asked to place a special emphasis on reviewing for policy compliance in this area.
- CSE Staff In Office – In October 2005, DWSS began assigning CSE Staff to public assistance offices. Along with other responsibilities, CSE staff are tasked with advancing the public assistance workers understanding of CSE responsibilities. In addition, the CSE worker serves as a liaison to the CSE case manager to ensure there is timely case performance by the public assistance case manager.

Finding Status: DWSS will continue to aggressively monitor staff compliance with policy requiring the termination of TANF benefits when there is reported non-compliance with the Child Support Enforcement Program. Over the last twelve months these efforts have greatly improved policy adherence as demonstrated by comparison of current year audit findings versus results for a prior year audit.

In addition to Internal Quality Control reviews, Supervisory reviews and Management Evaluation reviews; Quality Control staff are reviewing TANF cases for compliance with work program verifications. Based on this finding these case reviews will also ensure adherence to referrals of non-compliance with the Child Support Enforcement Program. DWSS will continue to review staff actions and provide additional training on this policy, if needed, to ensure any future non-compliance is quickly identified and corrected.

Finding 05-10:

Program: Department of Health and Human Services, Division of Welfare and Supportive Services
Temporary Assistance For Needy Families, CFDA 93.558
Child Support Enforcement, CFDA 93.563
Food Stamps, CFDA 10.551
State Administrative Matching Grants For Food Stamp Program, CFDA 10.561

Finding Summary: OMB Circular A-87 Attachment D, Section E requires that public assistance cost allocation plans be implemented as approved by the Department of Health and Human Services. In addition, Attachment A, Section C of OMB Circular A-87 requires that costs charges to Federal programs by an entity be consistent with the entity's policies and procedures.

The Division of Welfare and Supportive Services' (DWSS) Cost Allocation Plan uses eight methods of allocating costs to six different Federal programs. Each method applies a specific percentage of the total costs recorded in two separate budget accounts to each Federal program. Amounts are allocated for each quarter of the fiscal year and for one additional period, referred to as the "June additional period".

The Division of Welfare and Supportive Services' (DWSS) written accounting procedures specify that for three of the eight methods, the percentages should be changed each quarter to reflect the results of the previous quarter. The Division of Welfare and Supportive Services did not change the allocation percentages of these methods for the final two quarters of the year ended June 30, 2005 and for the June additional period.

State's Response: We agree with the finding and are in the process of developing enhanced procedures for preparation, review and compliance with the Cost Allocation Plan. Changes to the excel data base structure and calculation that will allow for visual indication of compliance are being implemented. This will ensure consistent allocation of costs to the Federal programs.

Finding Status: Procedures have been enhanced for preparation, review and compliance with the Cost Allocation Plan. To ensure consistent allocation of costs to the Federal programs, changes to the Excel database structure and calculation allowing for visual indication of compliance have been implemented.

Finding 05-11:

Program: Department of Health and Human Services
Foster Care_IV-E, CFDA 93.658
Adoption Assistance, CFDA 93.659
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 the State to prepare a schedule 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 Schedule of Expenditures of Federal Awards to the Controller's Office. The Controller's Office has developed policies and procedures to obtain this information from the various departments expending Federal awards during the year. The published procedures request that the information be submitted to the Controller's Office by September 23 (or within a reasonable period thereafter). The Medicaid Cluster information for the year ended June 30, 2005 was not provided to the Controller's Office until January 6, 2006. The Foster Care and Adoption Assistance program information for the year ended June 30, 2005 was not provided to the Controller's Office until November 18, 2005.

State's Response: Division of Child and Family Services response:

The Division of Child and Family Services (DCFS) is responsible for administering the Title IV-E Foster Care and Title IV-E Adoption Assistance entitlement programs. (Note: the Medicaid Cluster is administered by the Division of Health Care Financing Policy).

DCFS accepts the recommendation as it applies to timely submission of the Single Audit Report Forms (SARF) for the Title IV-E Foster Care and Adoption Assistance; and acknowledges that the SARF for the Title IV-E Foster Care and Adoption Assistance were submitted to the Controller's Office after the September 23, 2005 deadline. In total, DCFS administers 22 Federal grants statewide and submitted 49 of

the 51 SARF's prior to the due date. However, due to a turnover in staff, we were unable to complete the SARF for the Title IV-E Foster Care and Adoption Assistance grants prior to the deadline. DCFS was in contact with Faustino Genio of the Controller's Office and requested an extension regarding the Title IV-E reports. These reports were submitted to the Controller's Office on November 18, 2005. It should be noted that DCFS takes the requirements of OMB Circular A-133 very seriously. In addition preparing the annual State Fiscal Year-end SARF forms to the Controller's Office, DCFS prepares the following financial grants management reports:

- 1) Weekly Cash Reconciliation's to support Federal draw requests through the State Treasurer's Office and the Payment Management System.
- 2) Monthly Operating Statements and Monthly Grant Expenditure Detail Reports are prepared and distributed to DCFS Management and Program staff.
- 3) Quarterly SF-269 Federal Financial Status Reports and Quarterly Title IVE-1 Financial Expenditure Reports are prepared and distributed to the applicable Federal Agency.
- 4) Quarterly Payment Management System (PMS) reconciliation reports are prepared and distributed to the Department of Health and Human Services, Director's Office.

All the grants administered by the Division are reconciled for both revenues and expenditures to the State accounting system and Division grant files for all of the above-mentioned reports.

The DCFS Fiscal Internal Control Manual procedure for preparing Single Audit Reporting Forms (SARF's) has been revised to include the following: "Single Audit Reporting Forms (SARF's) are to be prepared in conjunction with the preparation of fiscal year end closing documents and are to be submitted no later than the due date issued in the memorandum by the State Controller's Office."

Division of Health Care Financing and Policy response:

DHCFP does not dispute that the above referenced reports were not filed in a timely manner. This was due primarily to an employee turnover in key fiscal positions. DHCFP has very limited fiscal staff to meet competing reporting and fiscal management requirements. As a result, DHCFP has been late with these reports for a few years. Additionally, in part due to MMIS implementation, DHCFP has developed unnecessarily complex allocation and reconciliation processes. This has made timely reporting even more challenging.

However, DHCFP does appropriately track its grant awards, Federal draws, and Federal expenditure reports on an on-going basis. Staff are dedicated to PMS reconciliation and CMS-64 reporting, for example. This includes reconciliation to the

State's accounting system. DHCFP performs due diligence in the fiscal management of Federal grant awards. However, improvements are needed to ensure timely reporting.

DHCFP is in the process of reorganizing its Budget and Accounting Unit. This includes the creation of a position to focus on business process reengineering. This is primarily driven by the need to improve MMIS reconciliation and reporting processes, streamline allocation methodologies, and develop detailed and up-to-date policies and procedures.

DHCFP is in the process of hiring an additional four positions approved by the 2005 Nevada Legislature to improve fiscal management of our programs. Specific to the Single Audit Reporting requirements, cross training and procedure manual development are planned prior to next year's reporting deadlines. These changes will improve DHCFP's reporting capabilities and ensure this audit finding is not repeated for SFY 2006.

Finding Status: Division of Child and Family Services:

The DCFS Fiscal Internal Control Manual Procedure for preparing Single Audit Reporting Forms (SARF's) have been revised to include the following: "Single Audit Reporting Forms (SARF's) are to be prepared in conjunction with the preparation of fiscal year end closing documents and are to be submitted no later than the due date issued in the memorandum by the State Controller's Office."

DCFS prepared and submitted the Single Audit Reporting Forms reports prior to the deadline for SFY2006 as outlined in the plan above.

Division of Health Care Financing and Policy:

For fiscal year 2006, the Single Audit Reporting Forms from DHCFP were submitted in a timely manner.

Based on the *Summary Schedule of Prior Audit Findings*, the status of the findings at June 30, 2006 is as follows:

Finding Number

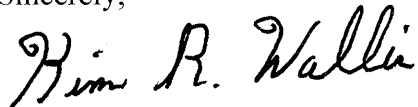
- 04-02 – Corrected
- 04-07 – Corrected
- 04-09 – Corrected
- 05-1 – Corrected
- 05-2 – Partially Corrected
- 05-3 – Partially Corrected
- 05-4 – Partially Corrected
- 05-5 – Corrected

05-6 – Corrected
05-7 – Corrected
05-8 – Corrected
05-9 – Partially Corrected
05-10 – Corrected
05-11 – Corrected

Finding Number 03-13 that was included in the Summary of Prior Audit Findings for the year ended June 30, 2005 has been removed from the Summary of Prior Audit Findings for the year ended June 30, 2006, as we believe it is no longer valid or warrants no further action based on the occurrence of all of the following:

- (1) Two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse;
- (2) The Federal agency or pass-through entity is not currently following up with the State of Nevada on the audit finding; and
- (3) A management decision was not issued.

Sincerely,

A handwritten signature in cursive script that reads "Kim R. Wallin".

Kim R. Wallin
Nevada State Controller