STATE OF NEVADA

Single Audit Report
For the Year Ended
June 30, 2012

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2012, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit:

Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 54.59 percent of the assets and 3.95 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, a major 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 and the net assets, and 5.19 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, which in the aggregate represent 71.94 percent of the assets, 71.08 percent of the net assets and 35.73 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represent 21.60 percent of the assets, 25.16 percent of the net assets and 38.36 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Retirement Benefits Investment Fund – Investment Trust Fund, which represent less than one percent of the assets, net assets and revenues of the aggregate remaining fund information;
- the financial statements of the Division of Museums and History Dedicated Trust Fund, which represent less than one percent of the assets, fund balance and revenues 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 Division of the Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement

Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 14, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the budgetary comparison information, the notes to required supplementary information-budgetary reporting, the schedule of funding progress, and the schedule of infrastructure condition and maintenance data, collectively presented on pages 69 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

<u>Report on the Schedule of Expenditures of Federal Awards</u>

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nevada's financial statements as a whole. 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. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kafoury, Armstrong & Co.

Reno, Nevada
December 14, 2012, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 18, 2013

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, 2012. 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 liabilities at the close of the fiscal year ended June 30, 2012 by $4.6 billion (reported as *net assets*). Of the $4.6 billion in net assets, $1.2 billion was restricted and not available to meet the State's general obligations. Also unavailable to meet the State's general obligations is $4.0 billion invested in capital assets, net of related debt.

Changes in Net Assets – The State's total net assets increased by $359.2 million in fiscal year 2012. Net assets of governmental activities increased by $310.4 million (a 7.1% increase) and net assets of the business-type activities increased by $48.8 million (a 93.8% increase).

Fund-level:

At the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of $1.4 billion, a decrease of $82.5 million from the prior year. Of the ending fund balance, $638.5 million is not in spendable form, primarily municipal securities and permanent fund principal, and $735.5 million is available for spending. The $735.5 million that is spendable consists of: $337.7 million restricted to expenditure for specific purposes such as transportation and capital projects; $494.1 million committed to expenditure for specific purposes such as servicing bonds payable, recreation and resource development, contingencies and fiscal emergencies; and a negative $96.3 million unassigned, in the General Fund. The reasons for the negative unassigned fund balance are disclosed in the Financial Analysis of the State's Funds section below.

The State's enterprise funds reported combined ending net assets of a negative $3.2 million, an increase of $48.8 million from the prior year, attributable primarily to an increase of $26.1 million in net assets of the Water Projects Loans Fund, $14.5 million in the Unemployment Compensation Fund, $7.2 million in the Housing Division and $1 million in the non-major enterprise funds. Of the combined ending net assets, $544.4 million represents a deficit in *unrestricted net assets* of which $552.6 million is from the Unemployment Compensation Fund.

The State's fiduciary funds reported combined ending net assets of $36.2 billion, an increase of $1.6 billion from the prior year. This increase is due primarily to the change in the fair value of investments in the Pension Trust Funds and Private Purpose Trust Funds.

Long-term Debt (government-wide):

The State's total bonds payable and certificates of participation payable decreased by $239.3 million or 6.4% from $3.8 billion in fiscal year 2011 to $3.5 billion in fiscal year 2012.

Overview of the Financial Statements

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

Government-wide Financial Statements:

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

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

The *statement of activities* presents information showing how the State's net assets changed during the most recent fiscal year. The statement reveals how much it costs the State to provide its various services, and whether the services cover their own costs through user fees, charges, grants, or are financed with taxes and other general revenues. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused leave).

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

Governmental Activities – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education and support services, law, justice and public safety, regulation of business, transportation, recreation and resource development, 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 U.S. 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 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, 2012 and 2011 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
	2012	2011	2012	2011	2012	2011	2012-2011
Assets							
Current and other assets	$ 3,427,097	$ 3,301,053	$ 1,886,060	$ 1,976,771	$ 5,313,157	$ 5,277,824	$ 35,333
Net capital assets	5,650,527	5,497,486	10,721	10,765	5,661,248	5,508,251	152,997
Total assets	9,077,624	8,798,539	1,896,781	1,987,536	10,974,405	10,786,075	188,330
Liabilities							
Current liabilities	1,588,782	1,494,432	101,252	90,717	1,690,034	1,585,149	104,885
Long-term liabilities	2,830,423	2,956,072	1,798,728	1,948,874	4,629,151	4,904,946	(275,795)
Total liabilities	4,419,205	4,450,504	1,899,980	2,039,591	6,319,185	6,490,095	(170,910)
Net Assets							
Invested in capital assets, net of related debt	4,017,147	3,875,141	3,076	3,120	4,020,223	3,878,261	141,962
Restricted	700,341	749,818	538,143	503,090	1,238,484	1,252,908	(14,424)
Unrestricted (deficit)	(59,069)	(276,924)	(544,418)	(558,265)	(603,487)	(835,189)	231,702
Total net assets	$ 4,658,419	$ 4,348,035	$ (3,199)	$ (52,055)	$ 4,655,220	$ 4,295,980	$ 359,240

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) increased to $4.6 billion at the end of 2012, compared with $4.3 billion at the end of the previous year.

The largest portion of the State's net assets ($4.0 billion or 86.4%) 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 ($1.2 billion or 26.6%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net assets deficit of $603.5 million or (13.0%), as compared to an $835.2 million deficit in the prior year.

The unrestricted net assets deficit decreased in governmental activities by $217.9 million, and in business-type activities by $13.8 million. In the governmental activities, the decrease was a result of several factors, including a decrease in long-term obligations of $134.4 million; an increase in the unrestricted fund balances of the General Fund and the Tobacco Settlement fund (a nonmajor special revenue fund) in the amounts of $36.2 million and $13.9 million, respectively; and an increase in General Fund deferred revenue unavailable, recognized as revenue in the government-wide statement of net assets, in the amount of $29.2 million. Of this amount, $13.4 million is from rebates for health and social services, and $7.5 million is from taxes. In the business-type activities, the decrease is primarily due to a decrease in the deficit net assets of the Unemployment Compensation Fund in the amount of $14.5 million.

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

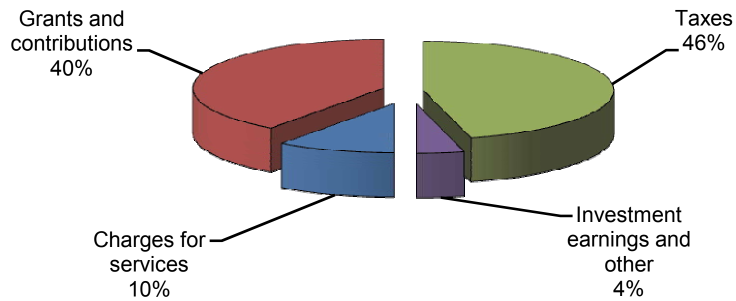
	Governmental Activities		Business-type Activities		Total		Total Change
	2012	2011	2012	2011	2012	2011	2012-2011
Revenues							
Program revenues							
Charges for services	$ 794,555	$ 870,281	$ 93,924	$ 97,356	$ 888,479	$ 967,637	$ (79,158)
Operating grants and contributions	3,091,556	3,050,092	862,548	1,251,949	3,954,104	4,302,041	(347,937)
Capital grants and contributions	73,749	164,711	-	-	73,749	164,711	(90,962)
General revenues							
Sales and use taxes	967,373	931,911	-	-	967,373	931,911	35,462
Gaming taxes	884,928	850,021	-	-	884,928	850,021	34,907
Modified business taxes	373,156	378,971	-	-	373,156	378,971	(5,815)
Insurance premium taxes	238,083	233,334	-	-	238,083	233,334	4,749
Property and transfer taxes	215,649	231,758	-	-	215,649	231,758	(16,109)
Motor and special fuel taxes	267,181	267,649	-	-	267,181	267,649	(468)
Other taxes	655,265	662,120	515,402	403,509	1,170,667	1,065,629	105,038
Investment earnings	(11,543)	(4,182)	-	-	(11,543)	(4,182)	(7,361)
Other	341,597	240,909	-	-	341,597	240,909	100,688
Total Revenues	7,891,549	7,877,575	1,471,874	1,752,814	9,363,423	9,630,389	(266,966)
Expenses							
General government	240,417	334,616	-	-	240,417	334,616	(94,199)
Health and social services	3,250,926	3,209,237	-	-	3,250,926	3,209,237	41,689
Education and support services	2,280,899	2,393,536	-	-	2,280,899	2,393,536	(112,637)
Law, justice and public safety	646,701	667,598	-	-	646,701	667,598	(20,897)
Regulation of business	101,687	122,679	-	-	101,687	122,679	(20,992)
Transportation	801,797	630,657	-	-	801,797	630,657	171,140
Recreation and resource development	138,599	153,404	-	-	138,599	153,404	(14,805)
Interest on long-term debt	122,080	128,606	-	-	122,080	128,606	(6,526)
Unallocated depreciation	1,755	1,402	-	-	1,755	1,402	353
Unemployment insurance	-	-	1,286,839	1,767,632	1,286,839	1,767,632	(480,793)
Housing	-	-	50,979	83,467	50,979	83,467	(32,488)
Water loans	-	-	8,249	16,476	8,249	16,476	(8,227)
Workers' compensation and safety	-	-	27,706	29,642	27,706	29,642	(1,936)
Higher education	-	-	26,067	18,959	26,067	18,959	7,108
Other	-	-	26,187	28,905	26,187	28,905	(2,718)
Total Expenses	7,584,861	7,641,735	1,426,027	1,945,081	9,010,888	9,586,816	(575,928)
Excess (deficiency) in net assets before contributions to permanent funds and transfers	306,688	235,840	45,847	(192,267)	352,535	43,573	308,962
Contributions to permanent fund	6,705	6,637	-	-	6,705	6,637	68
Transfers	(3,009)	24,044	3,009	(24,044)	-	-	-
Change in net assets	310,384	266,521	48,856	(216,311)	359,240	50,210	309,030
Net assets - beginning of year	4,348,035	4,081,514	(52,055)	164,256	4,295,980	4,245,770	50,210
Net assets - end of year	$ 4,658,419	$ 4,348,035	$ (3,199)	$ (52,055)	$ 4,655,220	$ 4,295,980	$ 359,240

Changes in Net Assets:

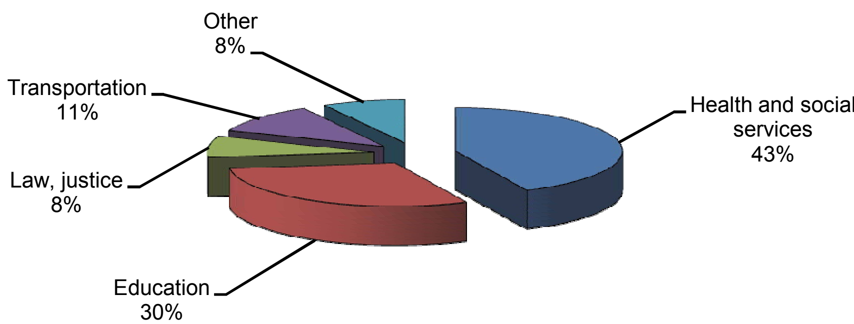
Total government-wide revenues decreased by $266.9 million over the prior year, due primarily to a reduction in the State's federal funds. The federal funds received by the Unemployment Compensation Fund through the American Recovery and Reinvestment Act decreased to $734.8 million in 2012, down from $1.1 billion in 2011.

Governmental activities – The net assets increased by $310.4 million or 7.1%. Approximately 46.0% of the total revenue came from taxes, while 40.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 10.0% 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 (43.0%) and education (30.0%) (see chart below). In 2012, governmental activities expenses exceeded program revenues, resulting in the use of $3.6 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:



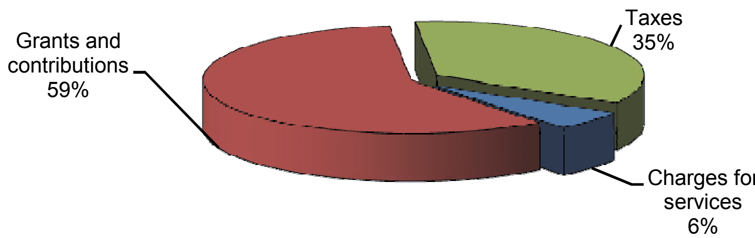
The following table depicts the total program revenues and expenses for each function of governmental activities:

Revenues and Expenses by Function: Governmental Activities
(expressed in thousands)

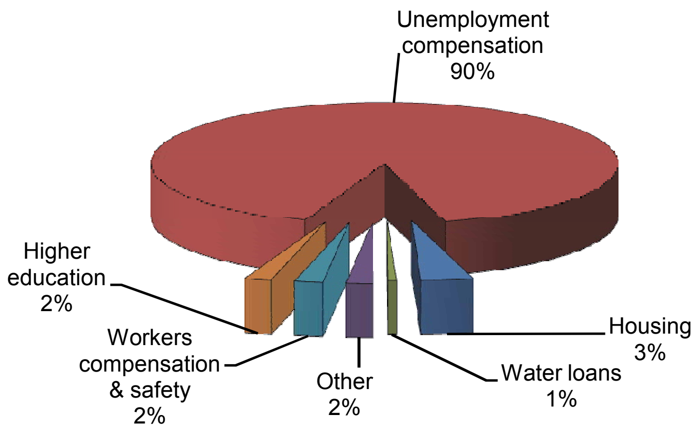
	Expenses	Revenue
General Government	$ 240,417	$ 228,047
Health and Social Services	3,250,926	2,252,289
Education	2,280,899	420,338
Law, Justice	646,701	337,301
Regulation	101,687	87,491
Transportation	801,797	556,408
Recreation	138,599	76,660
Total	$ 7,461,026	$ 3,958,534

Business-type activities – The net assets increased by $48.8 million or 93.9%. Approximately 35.0% of the total revenue came from taxes, while 59.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 6.0% 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 (90.0%) and housing (3.0%) (see chart below). In 2012, business-type activities expenses exceeded program revenues by $469.6 million. Of this amount, unemployment compensation was the largest, with net expenses of $514.9 million, resulting in the use of $515.4 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 table depicts the total program revenues and expenses for each function for business-type activities:

Revenues and Expenses by Function: Business-type Activities
(expressed in thousands)

	Expenses	Revenue
Unemployment Compensation	$ 1,286,839	$ 771,923
Housing	50,979	58,127
Water Loans	8,249	35,639
Workers Compensation	27,706	40,437
Higher Education	26,067	23,044
Other	26,187	27,302
Total	$ 1,426,027	$ 956,472

The State government's overall financial position improved over the past fiscal year, with a $310.4 million increase in the net assets of the governmental activities and a $48.8 million increase in the net assets of the business-type activities. Net assets of the governmental activities increased 7.1% during 2012, while 2011 increased 6.5%. The net assets of the business-type activities had a 93.9% increase during the current fiscal year. In 2011, business-type activities net assets declined 131.7%. Nevada continues to recover at a moderate pace. Key economic indicators from the State's sales and gaming taxes continue to show positive growth. Tax revenues for governmental activities increased in the current fiscal year $45.9 million or 1.3%, compared to an increase of $70.0 million or 2.0% in the prior fiscal year. This increase was mainly a result of increased collections of sales taxes and gaming taxes. In the Highway Fund, revenues increased $11.7 million in interlocal projects, $8.1 million in registration fees and $2.7 million in gas tax. In addition, mining fees totaling $16.3 million were refunded in fiscal year 2012, under Senate Bill 493 of the 74th Legislative Session.

Financial Analysis of the State's Funds

Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $1.4 billion, a decrease of $82.5 million in comparison with the prior year. Of these total ending fund balances, $638.5 million (46.4%) is nonspendable, either due to its form or legal constraints, and $337.7 million (24.6%) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $494.1 million (36.0%) of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. Included in committed fund balance is $84.7 million for fiscal emergency. NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations, in which case forty percent of the excess is deposited to the Stabilization Account. Expenditures may occur only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or if the Legislature and Governor declare that a fiscal emergency exists. Additions to the Stabilization Account were $45.5 million in the current fiscal year and $39.2 million in the prior fiscal year. The remaining negative $96.3 million (7.0%) of fund balance is unassigned. The major funds are discussed more fully below.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund fund balance was $270.3 million compared to $246.7 million in the prior fiscal year. The fund balance increase from operations of $23.6 million during the current fiscal year is a 9.6% increase from the prior year. Reasons for this increase are discussed in further detail below. The negative unassigned fund balance of $96.3 million is mostly due to an accrual for Medicaid expenditures and for deferral of gaming taxes and mining taxes already collected and budgeted.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2012 and 2011 (expressed in thousands). Other financing sources are not included.

General Fund Revenues *(expressed in thousands)*

	2012		2011		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	$ 870,007	14.0%	$ 835,245	13.5%	$ 34,762	4.2%
Sales taxes	965,060	15.5%	925,898	15.0%	39,162	4.2%
Modified business taxes	369,661	5.9%	381,901	6.2%	(12,240)	-3.2%
Insurance premium taxes	236,787	3.8%	234,831	3.8%	1,956	0.8%
Property and transfer taxes	48,683	0.8%	51,552	0.8%	(2,869)	-5.6%
Motor and special fuel taxes	2,825	0.0%	2,953	0.0%	(128)	-4.3%
Other taxes	598,210	9.6%	583,828	9.4%	14,382	2.5%
Intergovernmental	2,678,186	43.0%	2,688,280	43.4%	(10,094)	-0.4%
Licenses, fees and permits	278,356	4.5%	301,462	4.9%	(23,106)	-7.7%
Sales and charges for services	55,719	0.9%	53,284	0.9%	2,435	4.6%
Interest and investment income	6,006	0.1%	10,161	0.2%	(4,155)	-40.9%
Other revenues	125,418	2.0%	117,688	1.9%	7,730	6.6%
Total revenues	$ 6,234,918	100.0%	$ 6,187,083	100.0%	$ 47,835	0.8%

The total General Fund revenues increased 0.8%. The largest increases in revenue sources were $39.2 million or 4.2% in sales taxes, $34.8 million or 4.2% in gaming taxes, fees and licenses, and $14.4 million or 2.5% in other taxes. Other taxes include a Legislative allocation from the Highway Fund of commissions and penalties on the Governmental Services Tax of $24.7 million. The largest declines in revenue sources were $23.1 million or 7.7% in licenses, fees and permits revenue, due to a decrease in mining claim fees of $18.1 million, and $12.2 million or 3.2% in modified business taxes. During the 2011 Legislative Session, Senate Bill No. 493, Sec. 16.3, repealed NRS 517.187 (enacted during the 26th Special Session in 2010) thereby eliminating certain fees that had been imposed upon persons holding mining claims.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2012 and 2011 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures *(expressed in thousands)*

	2012		2011		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	$ 134,260	2.2%	$ 140,751	2.2%	$ (6,491)	-4.6%
Health and social services	2,991,985	48.0%	2,890,268	45.7%	101,717	3.5%
Education and support services	53,430	0.9%	53,333	0.8%	97	0.2%
Law, justice and public safety	424,439	6.8%	434,004	6.9%	(9,565)	-2.2%
Regulation of business	73,408	1.2%	90,492	1.4%	(17,084)	-18.9%
Recreation, resource development	100,956	1.6%	107,769	1.7%	(6,813)	-6.3%
Intergovernmental	2,449,931	39.3%	2,602,499	41.2%	(152,568)	-5.9%
Debt service	3,190	0.1%	3,684	0.1%	(494)	-13.4%
Total expenditures	$ 6,231,599	100.0%	$ 6,322,800	100.0%	$ (91,201)	-1.4%

The total General Fund expenditures decreased 1.4%. Health and social services expenditures increased $101.7 million or 3.5%. The largest portion of this amount was for the Medicaid and food stamp programs. The decrease in remaining expenditures was $192.9 million or 5.6% with the largest decrease of $152.6 million occurring in intergovernmental expenditures.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance decreased $134.1 million during the current fiscal year, which is a 46.5% decrease from the prior year. Other taxes decreased by $24.9 million down from $38.4 million in 2011 primarily due to a Legislative allocation to the General Fund of commissions and penalties on the Governmental Services Tax, and increased intergovernmental transportation payments of $80.4 million compared to $58.7 million in 2011. The nonspendable fund balance is $14.8 million and the restricted fund balance is $139.3 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 $0.9 million during the current fiscal year, which is a less than 1% decrease from the prior year. This decrease was primarily due to the refunding of local government 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 $3.6 million during the current fiscal year, which is a 2.5% increase from the prior year. Revenue from property tax collections decreased, but was more than offset by the decrease in expenditures for debt service principal and interest.

The Permanent School Fund is a permanent fund used to account for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education. The fund balance increased by $6.7 million during the current fiscal year, which is a 2.2% increase from the prior year. This increase was primarily due to $5.9 million in fines received from county justice courts and district courts.

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 is a negative $46.7 million, the net assets of the nonmajor funds is a positive $43.5 million and total combined net assets of all enterprise funds is a negative $3.2 million. The combined net assets of the enterprise funds increased by $48.8 million in 2012. 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 $7.2 million or 3.7% during the current fiscal year, and the results of operations were down 45.3% from last year, due to the increase in payments of federal grant funds to struggling homeowners from Nevada Affordable Housing Assistance Corporation.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net assets increased by $14.5 million during the current fiscal year, which is a 2.6% increase from the prior year. Claims revenue exceeded expenses by $27.2 million for fiscal year 2012. Fiscal year 2012 total claims expense of $1.3 billion was less than the fiscal year 2011 total claims expense of $1.8 billion, or a 28.1% decrease. The leading cause for the net asset increase is due to the previously allowed employers' State unemployment credit that is now applied to the State's outstanding unemployment loan balance, and a reduction in unemployment claims. During the fiscal year, the General Fund paid $22.6 million in accrued interest on federal advances from the previous fiscal year to the Federal government. Interest is due and payable on the federal advances by the end of the Federal fiscal year which ends on September 30. As of June 30, 2012, the total amount of federal unemployment advances and interest due to the U.S. Department of Labor in accordance with provisions of Title XII, Section 1201 of the Social Security Act totaled $720.4 million and $18.9 million, respectively. Total federal advances decreased $52.7 million from $773.1 million in 2011.

The Water Projects Loans Fund issues loans to governmental and 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 $26.1 million during the current fiscal year, for final net assets of $306.1 million, which is a 9.3% increase from the prior year. This increase is a result of decreased operating expenses related to aid to governmental units.

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 2012, total internal service fund net assets decreased by $1.8 million, for a final net asset balance of $56.2 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. Net assets increased by $6.6 million during the current fiscal year, which is an 8.7% increase from the prior year, leaving final net assets of $83.3 million. This year's increase was caused primarily by a 21.9% decrease in claims expense offset by a 15.8% decrease in insurance premium income.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit increased by $8.4 million or 21.1% during fiscal year 2012, to a total deficit of $48.3 million. The decrease in net premium income of 24.0% was caused by a reduction of the insurance assessment based on the State's history of claims.

Analysis of General Fund Budget Variations

The General Fund total sources were $468.2 million or 6.0% less than the final budget. This was due primarily to actual intergovernmental revenues received that were less than the final budgeted amount. Intergovernmental revenues represent federal grants, and there are timing differences arising from when grants are awarded, received and spent. The final budget can include grant revenue for the entire grant period, whereas the actual represents grant revenue received in the current year.

The net increase in the General Fund expenditures and other uses budget from original to final was $619.3 million. Some of the differences originate because the original budget consists only of those budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. The 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. Increases due to the non-executive budgets approved after July 1 and increased estimated receipts were approximately $619.4 million.

Capital Assets and Debt Administration

Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2012, amount to $6.7 billion, net of accumulated depreciation of $1.0 billion, leaving a net book value of $5.7 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. The most recent condition assessment shows a decline in the condition level of the roadways. However, the results of the three most recent condition assessments provide reasonable assurance that the condition level of the roadways is being preserved above the condition level established. The following table shows the State's policy and the condition level of the roadways and bridges:

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 2011 condition assessment	56%	79%	67%	30%	9%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%

Condition Level of the Bridges

Percentage of substandard bridges

	2011	2009	2007
State Policy-maximum percentage	10%	10%	10%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2012 by $17.9 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimates, condition levels are expected to continue to meet or exceed the target condition levels for the roadway category. 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 the population, the State also has a substantial capital projects program. The following is a summary of major projects in progress or completed during 2012 (expressed in millions):

	Expended by June 30, 2012	Total Budget
Indian Springs Conservation Camp	$ 40.8	$ 40.9
New Readiness Center North Las Vegas	14.5	35.8
Unemployment Insurance Software Development	17.5	35.6
SDCC Housing Unit & Planning	23.6	28.9
Las Vegas Readiness Center	24.6	25.9
Las Vegas Readiness Center - Field Maintenance Shop	2.5	26.9
Department of Corrections Energy Retrofit	16.7	16.7
Elko County Readiness Center	10.5	16.6
Civil Support Team WMD Readiness Center	0.8	13.7
Southern Nevada Veterans' Cemetery Expansion	2.5	11.4

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The total increase in the State's capital assets for the primary government for the current fiscal year was $346.0 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled $70.6 million.

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

Debt Administration:
As of year-end, the State had $4.6 billion in long-term liabilities outstanding, compared to $4.9 billion last year, a decrease of $275.8 million or 5.6% during the current fiscal year. This decrease was due primarily to the refunding of general obligation bonds.

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

New bonds issued during the 2012 fiscal year were (expressed in thousands):

Housing Single-Family 2011 Issue C	01/21/2011	$ 5,500
Housing Single-Family 2011 Issue D	01/11/2011	32,460
Housing Single-Family 2011 Issue B	06/30/2011	15,000
General Obligation Capital Improvement, Cultural Affairs and Refunding Bonds	11/16/2011A	65,245
General Obligation Hoover Uprating Refunding Bonds	11/16/2011B	5,545
General Obligation Water Pollution Control Revolving Fund Leveraged Refunding Bonds	11/16/2011C	28,460
General Obligation Open Space, Parks and Cultural Resources Refunding Bonds	11/16/2011D	32,835
General Obligation Open Space, Parks and Natural Resources Refunding Bonds	11/16/2011E	14,530
General Obligation Safe Drinking Water Revolving Fund Matching Bonds	11/16/2011F	2,820
General Obligation Municipal Bond Bank Projects	03/22/2012A	25,445
General Obligation Capital Improvement, Cultural Affairs and Refunding Bonds	03/22/2012B	50,800
General Obligation Natural Resources Refunding Bonds	03/22/2012C	25,510
General Obligation Open Space, Parks and Natural Resources Refunding Bonds	03/22/2012D	4,245
Highway Revenue Refunding Bonds	05/14/2012	66,490

This list of new bonds does not agree completely with the schedule of additions as seen in Note 8 to the financial statements, due to the inclusion of 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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701-4786 or visit our website at: www.controller.nv.gov.

Statement of Net Assets

NEVADA

June 30, 2012 (Expressed in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Colorado River Commission	Nevada System of Higher Education
Assets					
Cash and pooled investments	$ 1,300,886	$ 185,223	$ 1,486,109	$ 8,673	$ 225,303
Investments	608,285	755,275	1,363,560	-	994,506
Internal balances	7,887	(7,887)	-	-	-
Due from component unit	5,272	-	5,272	-	-
Due from primary government	-	-	-	73	19,836
Accounts receivable	70,043	3,634	73,677	17,504	32,417
Taxes/assessments receivable	834,084	187,477	1,021,561	-	-
Intergovernmental receivables	451,223	1,499	452,722	-	36,946
Accrued interest and dividends	5,016	11,712	16,728	38	-
Contracts receivable	-	24,522	24,522	-	-
Mortgages receivable	-	559,847	559,847	-	-
Notes/loans receivable	12,196	47,377	59,573	-	13,005
Settlement receivable	87,428	-	87,428	-	-
Other receivables	16	6,801	6,817	-	54,729
Inventory	17,811	1,558	19,369	-	6,868
Prepaid expenses	3,563	144	3,707	25,286	-
Deferred charges	23,387	5,440	28,827	-	-
Restricted assets:					
Cash	-	-	-	10,062	14,770
Investments	-	103,361	103,361	-	32,245
Other assets	-	77	77	-	51,311
Capital assets:					
Land, infrastructure and construction in progress	4,368,698	9,175	4,377,873	-	121,659
Other capital assets, net	1,281,829	1,546	1,283,375	52,494	1,837,605
Total assets	9,077,624	1,896,781	10,974,405	114,130	3,441,200
Liabilities					
Accounts payable	883,405	39,912	923,317	9,930	35,673
Accrued payroll and related liabilities	62,693	952	63,645	-	68,111
Intergovernmental payables	106,538	105	106,643	-	-
Interest payable	20,649	26,777	47,426	1,031	11,675
Due to component units	19,855	54	19,909	-	-
Due to primary government	-	-	-	142	5,130
Contracts/retentions payable	47,391	-	47,391	-	-
Unearned revenues	363,097	11,585	374,682	147	48,745

Other liabilities	85,154	21,867	107,021	15,960	28,772
Long-term liabilities:					
Portion due or payable within one year:					
Reserve for losses	63,121	-	63,121	-	-
Obligations under capital leases	1,688	-	1,688	-	579
Compensated absences	59,509	989	60,498	194	30,710
Benefits payable	-	13,337	13,337	-	-
Bonds payable	174,319	23,855	198,174	4,009	20,414
Certificates of participation payable	1,913	-	1,913	-	-
Arbitrage rebate liability	732	-	732	-	-
Portion due or payable after one year:					
Federal advances	-	720,432	720,432	-	8,059
Reserve for losses	43,616	-	43,616	-	-
Obligations under capital leases	26,707	-	26,707	-	589
Compensated absences	33,976	655	34,631	112	16,050
Benefits payable	-	145,759	145,759	-	-
Bonds payable	2,372,380	893,701	3,266,081	70,962	477,242
Certificates of participation payable	52,394	-	52,394	-	-
Net pension obligation	1	-	1	-	-
Arbitrage rebate liability	67	-	67	-	-
Total liabilities	4,419,205	1,899,980	6,319,185	102,487	751,749
Net Assets					
Invested in capital assets, net of related debt	4,017,147	3,076	4,020,223	5,999	1,470,059
Restricted for:					
Security of outstanding obligations	-	190,585	190,585	-	-
Workers' compensation	-	33,031	33,031	-	-
Tuition contract benefits	-	2,237	2,237	-	-
Capital projects	4,709	-	4,709	-	39,858
Debt service	33,347	-	33,347	-	20,560
Education and support services	2,159	-	2,159	-	-
Transportation	162,335	-	162,335	-	-
Recreation and resource development	66,591	306,145	372,736	-	-
Law, justice and public safety	95,426	-	95,426	-	-
Health and social services	13,085	-	13,085	-	-
Regulation of business	9,030	6,145	15,175	-	-
Scholarships	-	-	-	-	289,417
Loans	-	-	-	-	7,643
Operations and maintenance	-	-	-	711	-
Research and development	-	-	-	3,468	-
Other purposes	355	-	355	-	1,197
Funds held as permanent investments:					
Nonexpendable	313,284	-	313,284	-	325,156
Expendable	20	-	20	-	-
Unrestricted (deficit)	(59,069)	(544,418)	(603,487)	1,465	535,561
Total net assets	$ 4,658,419	$ (3,199)	$ 4,655,220	$ 11,643	$ 2,689,451

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

NEVADA

For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Colorado River Commission	Nevada System of Higher Education
Primary Government									
Governmental activities:									
General government	$ 240,417	$ 183,278	$ 44,769	$ -	$ (12,370)	$ -	$ (12,370)	$ -	$ -
Health and social services	3,250,926	212,730	2,039,559	-	(998,637)	-	(998,637)	-	-
Education and support services	2,280,899	3,823	416,515	-	(1,860,561)	-	(1,860,561)	-	-
Law, justice and public safety	646,701	253,431	71,984	11,886	(309,400)	-	(309,400)	-	-
Regulation of business	101,687	69,694	17,797	-	(14,196)	-	(14,196)	-	-
Transportation	801,797	28,537	466,095	61,776	(245,389)	-	(245,389)	-	-
Recreation and resource development	138,599	43,062	33,511	87	(61,939)	-	(61,939)	-	-
Interest on long-term debt	122,080	-	1,326	-	(120,754)	-	(120,754)	-	-
Unallocated depreciation	1,755	-	-	-	(1,755)	-	(1,755)	-	-
Total governmental activities	7,584,861	794,555	3,091,556	73,749	(3,625,001)	-	(3,625,001)	-	-
Business-type activities:									
Unemployment insurance	1,286,839	1,544	770,379	-	-	(514,916)	(514,916)	-	-
Housing	50,979	20,105	38,022	-	-	7,148	7,148	-	-
Water loans	8,249	8,371	27,268	-	-	27,390	27,390	-	-
Workers' compensation and safety	27,706	37,946	2,491	-	-	12,731	12,731	-	-
Higher education	26,067	102	22,942	-	-	(3,023)	(3,023)	-	-
Other	26,187	25,856	1,446	-	-	1,115	1,115	-	-
Total business-type activities	1,426,027	93,924	862,548	-	-	(469,555)	(469,555)	-	-
Total primary government	$ 9,010,888	$ 888,479	$ 3,954,104	$ 73,749	(3,625,001)	(469,555)	(4,094,556)	-	-
Component Units									
Colorado River Commission	89,313	90,366	-	-	-	-	-	1,053	-
Nevada System of Higher Education	1,482,968	552,643	419,072	3,393	-	-	-	-	(507,860)
Total component units	$ 1,572,281	$ 643,009	$ 419,072	$ 3,393	-	-	-	1,053	(507,860)

General revenues:					
Taxes:					
Gaming	852,632	-	852,632	-	-
Sales and use	877,910	-	877,910	-	-
Modified business	373,156	-	373,156	-	-
Insurance premium	238,083	-	238,083	-	-
Property and transfer	48,683	-	48,683	-	-
Motor and special fuel	2,825	-	2,825	-	-
Other	440,954	-	440,954	-	-
Restricted for unemployment compensation:					
Other taxes	-	515,402	515,402	-	-
Restricted for educational purposes:					
Sales and use taxes	89,464	-	89,464	-	-
Gaming taxes	32,296	-	32,296	-	-
Other taxes	126,448	-	126,448	-	-
Restricted for debt service purposes:					
Property and transfer taxes	146,097	-	146,097	-	-
Motor and special fuel taxes	80,500	-	80,500	-	-
Other	41,168	-	41,168	-	-
Restricted for recreation and resource development purposes:					
Other taxes	31,210	-	31,210	-	-
Land Sales	11	-	11	-	-
Restricted for health and social services purposes:					
Property and transfer taxes	20,869	-	20,869	-	-
Other taxes	40,584	-	40,584	-	-
Restricted for transportation purposes:					
Motor and special fuel taxes	183,856	-	183,856	-	-
Other taxes	11,959	-	11,959	-	-
Restricted for regulation purposes:					
Other taxes	4,108	-	4,108	-	-
Settlement income	129,677	-	129,677	-	-
Unrestricted investment earnings	(11,543)	-	(11,543)	42	24,625
Other general revenues	170,742	-	170,742	1,473	13,099
Contributions to permanent funds	6,705	-	6,705	-	11,772
Payments from State of Nevada	-	-	-	-	482,715
Transfers	(3,009)	3,009	-	-	-
Total general revenues and transfers	3,935,385	518,411	4,453,796	1,515	532,211
Change in net assets	310,384	48,856	359,240	2,568	24,351
Net assets - beginning	4,348,035	(52,055)	4,295,980	9,075	2,665,100
Net assets - ending	$ 4,658,419	$ (3,199)	$ 4,655,220	$ 11,643	$ 2,689,451

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

Balance Sheet
Governmental Funds

June 30, 2012

	General Fund	State Highway	Municipal Bond Bank
Assets			
Cash and pooled investments:			
Cash with treasurer	$ 530,770,568	$ 198,708,927	$ 341,525
Cash in custody of other officials	7,672,518	167,209	-
Investments	9,419,045	-	286,235,000
Receivables:			
Accounts receivable	40,187,377	2,483,523	-
Taxes receivable	791,082,924	36,573,746	-
Intergovernmental receivables	304,257,617	28,559,008	-
Accrued interest and dividends	2,694,473	-	1,358,975
Notes/loans receivable	12,096,332	-	-
Settlement receivable	-	-	-
Other receivables	15,830	-	-
Due from other funds	37,930,574	7,415,653	5,711
Due from fiduciary funds	234,271	-	-
Due from component units	152,059	1,371	-
Inventory	2,387,464	14,778,377	-
Advances to other funds	6,399,035	-	-
Prepaid items	3,456,341	20,886	-
Total assets	$ 1,748,756,428	$ 288,708,700	$ 287,941,211
Liabilities and Fund Balances			
Accounts payable and accruals:			
Accounts payable	$ 346,540,360	$ 34,893,507	$ -
Accrued payroll and related liabilities	42,091,939	16,065,690	-
Intergovernmental payables	82,944,593	13,352,422	6,620
Interest payable	-	-	-
Contracts/retentions payable	1,133,003	36,644,370	-
Due to other funds	19,367,481	2,143,223	408,760
Due to fiduciary funds	457,663,879	1,047,832	-
Due to component units	6,501,676	132,763	-
Deferred revenues	439,912,163	29,083,425	1,360,060
Bonds payable	-	-	-
Other liabilities	82,272,608	1,287,109	-
Total liabilities	1,478,427,702	134,650,341	1,775,440
Fund balances:			
Nonspendable	23,800,656	14,799,263	286,165,771
Restricted	61,049,208	139,259,096	-
Committed	281,751,325	-	-
Unassigned	(96,272,463)	-	-
Total fund balances	270,328,726	154,058,359	286,165,771
Total liabilities and fund balances	$ 1,748,756,428	$ 288,708,700	$ 287,941,211

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

Consolidated Bond Interest and Redemption	Permanent School Fund	Other Governmental Funds	Total Governmental Funds
$ 146,764,487	$ 7,723,544	$ 252,692,612	$ 1,137,001,663
-	-	199,893	8,039,620
-	306,754,841	5,876,066	608,284,952
-	-	22,971,262	65,642,162
-	-	6,427,259	834,083,929
105,979,167	394,683	8,583,175	447,773,650
-	960,959	1,632	5,016,039
-	-	-	12,096,332
-	-	87,428,226	87,428,226
-	-	-	15,830
972,564	31,410	16,856,854	63,212,766
-	-	432,084	666,355
5,066,075	-	-	5,219,505
-	-	437,562	17,603,403
1,205,093	-	-	7,604,128
-	-	10,064	3,487,291
$ 259,987,386	$ 315,865,437	$ 401,916,689	$ 3,303,175,851
$ 103,383	$ -	$ 18,338,264	$ 399,875,514
-	-	3,016,895	61,174,524
-	-	2,983,217	99,286,852
2,421,696	-	-	2,421,696
-	-	9,554,919	47,332,292
213,443	1,208,676	41,117,396	64,458,979
-	-	10,531	458,722,242
28,195	-	13,176,441	19,839,075
110,174,336	8,331	110,129,158	690,667,473
240,000	-	-	240,000
-	1,594,302	-	85,154,019
113,181,053	2,811,309	198,326,821	1,929,172,666
-	313,054,128	677,626	638,497,444
-	-	137,407,581	337,715,885
146,806,333	-	65,504,661	494,062,319
-	-	-	(96,272,463)
146,806,333	313,054,128	203,589,868	1,374,003,185
$ 259,987,386	$ 315,865,437	$ 401,916,689	$ 3,303,175,851

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

June 30, 2012

Total fund balances - governmental funds		$ 1,374,003,185
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	$ 143,870,124	
Construction in progress	139,180,430	
Infrastructure assets	3,476,100,198	
Rights-of-way	609,416,369	
Buildings	1,591,325,419	
Improvements other than buildings	117,072,805	
Furniture and equipment	332,469,387	
Software costs	158,135,861	
Accumulated depreciation/amortization	(937,800,117)	
Total capital assets		5,629,770,476
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.		327,646,273
Intergovernmental receivable not providing current resources.		221,045
The Judicial Retirement System of Nevada has a net pension obligation not reported as an expenditure in the funds.		(1,288)
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.		56,268,051
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.		10,749,419
Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt.		12,638,030
Certain liabilities for settlement agreements are not due and payable in the current period and therefore are not reported in the funds.		(21,317,183)
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	(2,539,669,887)	
Accrued interest on bonds	(18,226,883)	
Arbitrage rebate liability	(798,758)	
Certificates of participation	(54,307,447)	
Capital leases	(28,019,192)	
Compensated absences	(90,536,989)	
Total long-term liabilities		(2,731,559,156)
Net assets of governmental activities		$ 4,658,418,852

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, 2012

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	$ 870,006,559	$ -	$ -
Sales taxes	965,059,778	-	-
Modified business taxes	369,660,633	-	-
Insurance premium taxes	236,787,376	-	-
Property and transfer taxes	48,683,032	-	-
Motor and special fuel taxes	2,824,782	183,856,011	-
Other taxes	598,210,399	13,556,108	-
Intergovernmental	2,678,185,912	527,122,902	-
Licenses, fees and permits	278,355,925	181,306,963	-
Sales and charges for services	55,718,819	13,934,061	-
Interest and investment income	6,006,062	3,033,810	14,299,448
Settlement income	-	-	-
Land sales	-	-	-
Other	125,418,529	21,911,390	-
Total revenues	6,234,917,806	944,721,245	14,299,448
Expenditures			
Current:			
General government	134,259,973	-	-
Health and social services	2,991,985,100	-	-
Education and support services	53,430,214	-	-
Law, justice and public safety	424,438,638	151,311,864	-
Regulation of business	73,407,545	-	-
Transportation	-	846,334,764	-
Recreation and resource development	100,956,250	-	-
Intergovernmental	2,449,930,981	80,449,683	-
Capital outlay	-	-	-
Debt service:			
Principal	1,620,888	53,423	-
Interest, fiscal charges	1,565,760	2,412	-
Debt issuance costs	3,234	-	-
Arbitrage payments	-	-	-
Total expenditures	6,231,598,583	1,078,152,146	-
Excess (deficiency) of revenues over expenditures	3,319,223	(133,430,901)	14,299,448
Other Financing Sources (Uses)			
Sale of general obligation bonds	451,307	-	15,310,000
Sale of general obligation refunding bonds	-	-	10,135,000
Premium on general obligation bonds	41,927	-	-
Payment to refunded bond agent	-	-	(10,611,791)
Sale of capital assets	93,555	-	-
Transfers in	61,766,448	6,470,232	-
Transfers out	(42,088,933)	(7,161,843)	(30,014,348)
Total other financing sources (uses)	20,264,304	(691,611)	(15,181,139)
Net change in fund balances	23,583,527	(134,122,512)	(881,691)
Fund balances, July 1	246,745,199	288,180,871	287,047,462
Fund balances, June 30	$ 270,328,726	$ 154,058,359	$ 286,165,771

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

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Consolidated Bond Interest and Redemption	Permanent School Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 14,323,967	$ 884,330,526
-	-	-	965,059,778
-	-	-	369,660,633
-	-	-	236,787,376
146,097,340	-	20,869,058	215,649,430
-	-	80,499,712	267,180,505
-	-	45,371,372	657,137,879
28,945,231	-	101,304,390	3,335,558,435
-	-	30,577,565	490,240,453
416,144	-	15,141,788	85,210,812
(1,613,218)	1,977,004	(1,103,841)	22,599,265
-	-	40,291,149	40,291,149
-	396,594	-	396,594
-	6,327,053	7,263,932	160,920,904
173,845,497	8,700,651	354,539,092	7,731,023,739
259,388	-	369,461	134,888,822
-	-	104,471,955	3,096,457,055
-	-	529,191	53,959,405
-	-	28,613,309	604,363,811
-	-	18,384,782	91,792,327
-	-	-	846,334,764
-	-	24,852,565	125,808,815
170,750	-	39,141,750	2,569,693,164
-	-	34,222,539	34,222,539
118,495,000	-	50,835,000	171,004,311
95,958,933	-	28,450,539	125,977,644
1,223,569	-	567,998	1,794,801
21,621	-	-	21,621
216,129,261	-	330,439,089	7,856,319,079
(42,283,764)	8,700,651	24,100,003	(125,295,340)
-	-	26,258,693	42,020,000
166,455,000	-	66,490,000	243,080,000
25,501,360	-	14,987,159	40,530,446
(190,663,252)	-	(78,641,419)	(279,916,462)
-	-	9,954	103,509
44,773,969	-	43,026,080	156,036,729
(150,165)	(2,007,215)	(77,658,174)	(159,080,678)
45,916,912	(2,007,215)	(5,527,707)	42,773,544
3,633,148	6,693,436	18,572,296	(82,521,796)
143,173,185	306,360,692	185,017,572	1,456,524,981
$ 146,806,333	$ 313,054,128	$ 203,589,868	$ 1,374,003,185

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Net change in fund balances - total governmental funds		$ (82,521,796)
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	$ 221,991,031	
Depreciation expense	(66,188,533)	
Excess of capital outlay over depreciation expense		155,802,498
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
Bonds issued	(285,100,000)	
Premiums on debt issued	(40,530,445)	
Total bond proceeds		(325,630,445)
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	162,291,677	
Certficates of participation retirement	1,660,000	
Payments to the bond refunding agent	279,916,462	
Capital lease payments	1,693,331	
Total long-term debt repayment		445,561,470
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.		(1,877,267)
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 unavailable decreased by this amount.		122,908,424
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.		(461,828)
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.		1,794,801
Amortization of bond issuance costs is reported as an expense for the statement of activities.		(1,219,319)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		(6,988,111)
Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.		12,304,601
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:		
Decrease in pension obligation	163,931	
Decrease in accrued interest	1,459,415	
Decrease in compensated absences	6,253,355	
Decrease in arbitrage liability	680,318	
Decrease in long term due to component unit	3,471,391	
Increase in settlement agreement liability	(21,317,183)	
Total additional expenditures		(9,288,773)
Change in net assets of governmental activities		$ 310,384,255

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

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and pooled investments:						
Cash with treasurer	$ 755,863	$ -	$ 93,922,838	$ 50,729,327	$ 145,408,028	$ 155,845,074
Cash in custody of other officials	5,499,192	21,291,891	-	13,023,606	39,814,689	100
Investments	94,028,391	-	-	143,244,996	237,273,387	-
Receivables:						
Accounts receivable	-	-	-	3,629,221	3,629,221	1,331,779
Assessments receivable	-	187,477,390	-	-	187,477,390	-
Intergovernmental receivables	-	-	1,041,615	457,249	1,498,864	3,227,895
Contracts receivable	-	-	-	5,440,426	5,440,426	-
Mortgages receivable	12,619,054	-	-	-	12,619,054	-
Accrued interest and dividends	7,488,628	-	3,811,539	411,874	11,712,041	-
Notes/loans receivable	-	-	-	-	-	5,000
Trades pending settlement	-	-	-	6,800,546	6,800,546	-
Due from other funds	47,414	470	581,565	1,188,496	1,817,945	5,062,523
Due from fiduciary funds	-	-	-	6,047	6,047	2,402,664
Due from component units	-	-	-	-	-	53,155
Inventory	-	-	-	1,558,028	1,558,028	207,181
Prepaid expenses	103,291	-	-	40,279	143,570	75,724
Restricted assets:						
Investments	97,354,652	-	-	-	97,354,652	-
Total current assets	217,896,485	208,769,751	99,357,557	226,530,095	752,553,888	168,211,095
Noncurrent assets:						
Investments	261,767,357	-	256,233,822	-	518,001,179	-
Receivables:						
Contracts receivable	-	-	-	19,081,086	19,081,086	-
Mortgages receivable	547,227,714	-	-	-	547,227,714	-
Notes/loans receivable	108,450	-	47,268,467	-	47,376,917	95,000
Deferred charges	2,424,468	-	2,908,648	107,331	5,440,447	-
Restricted assets:						
Investments	6,006,196	-	-	-	6,006,196	-
Other assets	61,709	-	-	15,000	76,709	-
Capital assets:						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	18,789,315
Improvements other than buildings	-	-	-	630,647	630,647	3,839,621
Furniture and equipment	423,317	-	35,280	5,428,877	5,887,474	45,486,442
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	8,607,008	8,607,008	-
Less accumulated depreciation/ amortization	(423,317)	-	(35,280)	(7,901,944)	(8,360,541)	(62,814,114)
Total noncurrent assets	817,595,894	-	306,410,937	29,924,657	1,153,931,488	20,851,028
Total assets	1,035,492,379	208,769,751	405,768,494	256,454,752	1,906,485,376	189,062,123

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable and accruals:						
Accounts payable	$ 18,076,334	$ 20,147,053	$ 27,823	$ 1,586,402	$ 39,837,612	$ 5,142,222
Accrued payroll and related liabilities	93,070	-	19,124	839,798	951,992	1,518,806
Interest payable	6,173,663	18,904,178	1,662,313	36,462	26,776,616	-
Intergovernmental payables	-	-	59,140	45,869	105,009	96,279
Trades pending settlement	-	-	-	21,855,645	21,855,645	-
Bank overdraft	-	-	-	-	-	5,545,826
Due to other funds	3,137	1,930,412	328,681	2,107,218	4,369,448	1,264,807
Due to fiduciary funds	-	-	-	73,952	73,952	14,100
Due to component units	-	-	21,219	33,220	54,439	16,106
Unearned revenues	-	-	-	11,584,820	11,584,820	75,658
Other liabilities	-	-	-	11,509	11,509	-
Short-term portion of long-term liabilities:						
Reserve for losses	-	-	-	-	-	63,121,352
Compensated absences	144,111	-	23,242	821,449	988,802	1,769,246
Benefits payable	-	-	-	13,337,173	13,337,173	-
Bonds payable	13,630,000	-	10,074,115	150,776	23,854,891	513,323
Obligations under capital leases	-	-	-	-	-	128,278
Total current liabilities	38,120,315	40,981,643	12,215,657	52,484,293	143,801,908	79,206,003
Noncurrent liabilities:						
Advances from funds	-	-	-	5,289,380	5,289,380	2,314,748
Federal Unemployment Advance	-	720,432,318	-	-	720,432,318	-
Reserve for losses	-	-	-	-	-	43,615,899
Compensated absences	148,295	-	10,094	497,107	655,496	1,179,072
Benefits payable	-	-	-	145,759,183	145,759,183	-
Bonds payable	797,375,612	-	87,397,603	8,927,539	893,700,754	6,276,218
Obligations under capital leases	-	-	-	-	-	247,920
Total noncurrent liabilities	797,523,907	720,432,318	87,407,697	160,473,209	1,765,837,131	53,633,857
Total liabilities	835,644,222	761,413,961	99,623,354	212,957,502	1,909,639,039	132,839,860
Net Assets						
Invested in capital assets, net of related debt	-	-	-	3,076,240	3,076,240	13,758,872
Restricted for:						
Tuition contract benefits	-	-	-	2,236,573	2,236,573	-
Security of outstanding obligations	190,584,941	-	-	-	190,584,941	-
Workers' compensation	-	-	-	33,030,563	33,030,563	-
Revolving loans	-	-	306,145,140	-	306,145,140	-
Regulation of business	6,143,430	-	-	2,000	6,145,430	-
Unrestricted (deficit)	3,119,786	(552,644,210)	-	5,151,874	(544,372,550)	42,463,391
Total net assets	$ 199,848,157	$ (552,644,210)	$ 306,145,140	$ 43,497,250	(3,153,663)	$ 56,222,263

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.	(45,788)
Net assets of business-type activities	$ (3,199,451)

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

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	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues						
Net premium income	$ -	$ -	$ -	$ -	$ -	$331,283,347
Sales	-	-	-	19,851,203	19,851,203	2,313,306
Assessments	-	515,402,076	-	-	515,402,076	-
Charges for services	-	-	-	17,205,895	17,205,895	42,542,103
Rental income	-	-	-	56,400	56,400	18,283,610
Interest income on loans/notes	16,725,124	-	8,370,687	-	25,095,811	-
Federal government	10,699,950	770,378,985	28,708,844	-	809,787,779	-
Licenses, fees and permits	-	-	-	36,644,416	36,644,416	-
Fines	-	-	-	2,766,448	2,766,448	-
Other	3,380,073	1,543,857	-	1,338,046	6,261,976	48,260
Total operating revenues	30,805,147	1,287,324,918	37,079,531	77,862,408	1,433,072,004	394,470,626
Operating Expenses						
Salaries and benefits	2,820,078	-	373,631	29,572,965	32,766,674	30,283,010
Operating	11,649,174	-	4,347,485	12,819,810	28,816,469	35,514,679
Claims and benefits expense	-	1,260,135,089	-	34,031,846	1,294,166,935	204,929,647
Interest on bonds payable	26,444,014	-	-	-	26,444,014	-
Materials or supplies used	-	-	-	2,770,109	2,770,109	1,046,464
Servicers' fees	111,824	-	-	-	111,824	-
Depreciation	-	-	-	364,982	364,982	3,872,175
Amortization	-	-	-	-	-	214,246
Bond issuance costs amortization	1,170,280	-	379,090	-	1,549,370	-
Insurance premiums	-	-	-	-	-	120,058,292
Total operating expenses	42,195,370	1,260,135,089	5,100,206	79,559,712	1,386,990,377	395,918,513
Operating income (loss)	(11,390,223)	27,189,829	31,979,325	(1,697,304)	46,081,627	(1,447,887)
Nonoperating Revenues (Expenses)						
Interest and investment income	18,305,485	-	(1,440,184)	8,849,764	25,715,065	(560,335)
Interest expense	-	(26,704,058)	(3,176,738)	(441,226)	(30,322,022)	(33,613)
Bond issuance costs amortization	-	-	-	(4,206)	(4,206)	-
Federal grant revenue	9,016,494	-	-	4,065,741	13,082,235	-
Federal grant expense	(8,783,330)	-	-	-	(8,783,330)	-
Gain (loss) on disposal of assets	-	-	-	5,101	5,101	175,422
Arbitrage rebate	-	-	26,629	-	26,629	-
Total nonoperating revenues (expenses)	18,538,649	(26,704,058)	(4,590,293)	12,475,174	(280,528)	(418,526)
Income (loss) before transfers	7,148,426	485,771	27,389,032	10,777,870	45,801,099	(1,866,413)
Transfers						
Transfers in	24,747	22,552,947	-	2,096,622	24,674,316	272,433
Transfers out	-	(8,505,494)	(1,292,674)	(11,867,623)	(21,665,791)	(237,009)
Change in net assets	7,173,173	14,533,224	26,096,358	1,006,869	48,809,624	(1,830,989)
Net assets, July 1	192,674,984	(567,177,434)	280,048,782	42,490,381		58,053,252
Net assets, June 30	$ 199,848,157	$ (552,644,210)	$306,145,140	$ 43,497,250		$ 56,222,263

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.	46,278
Change in net assets of business-type activities	$ 48,855,902

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, 2012

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	$ 10,201,399	$ 496,518,496	$ -	$ 71,473,476	$ 578,193,371	$ 67,184,891
Receipts for interfund services provided	32,933	3,125,561	-	3,737,565	6,896,059	258,591,556
Receipts from component units	-	-	-	-	-	72,895,901
Receipts of principal on loans/notes	57,086,611	-	22,569,414	-	79,656,025	5,000
Receipts of interest on loans/notes	38,829,398	-	8,041,770	-	46,871,168	-
Receipts from federal government	10,699,950	770,378,985	29,616,332	-	810,695,267	-
Payments to suppliers, other governments and beneficiaries	(17,194,914)	(1,267,458,874)	(4,278,017)	(21,270,183)	(1,310,201,988)	(331,004,819)
Payments to employees	(2,634,210)	-	(374,196)	(30,846,924)	(33,855,330)	(30,200,107)
Payments for interfund services	(678,320)	-	(93,613)	(6,091,381)	(6,863,314)	(19,940,104)
Payments to component units	-	-	-	(4,597,155)	(4,597,155)	(241,290)
Purchase of loans and notes	(56,029,732)	-	(33,151,142)	-	(89,180,874)	-
Net cash provided by (used for) operating activities	40,313,115	2,564,168	22,330,548	12,405,398	77,613,229	17,291,028
Cash flows from noncapital financing activities						
Grant receipts	9,016,494	-	-	3,827,847	12,844,341	-
Advances from federal government	-	314,946,333	-	-	314,946,333	-
Proceeds from sale of bonds	48,346,000	-	34,701,425	-	83,047,425	-
Transfers and advances from other funds	24,747	22,552,947	-	2,096,701	24,674,395	298,769
Payment on federal advance	-	(367,674,983)	-	-	(367,674,983)	-
Payment on refunding bonds	-	-	(31,770,035)	-	(31,770,035)	-
Principal paid on noncapital debt	(157,975,418)	-	(8,690,000)	-	(166,665,418)	-
Interest paid on noncapital debt	(27,073,322)	(22,552,947)	(3,841,330)	-	(53,467,599)	-
Issue costs	(1,186,721)	-	-	-	(1,186,721)	-
Transfers and advances to other funds	-	(8,722,256)	(1,480,328)	(10,920,589)	(21,123,173)	(336,289)
Payments to other governments and organizations	(8,783,330)	-	(9,987)	-	(8,793,317)	-
Net cash provided by (used for) noncapital financing activities	(137,631,550)	(61,450,906)	(11,090,255)	(4,996,041)	(215,168,752)	(37,520)
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	-	-	-	5,100	5,100	175,422
Purchase of capital assets	-	-	-	(239,158)	(239,158)	(1,759,112)
Principal paid on capital debt	-	-	-	(174,703)	(174,703)	(1,887,949)
Interest paid on capital debt	-	-	-	(442,349)	(442,349)	(33,602)
Payments on construction projects	-	-	-	(81,620)	(81,620)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	(932,730)	(932,730)	(3,505,241)
Cash flows from investing activities						
Proceeds from sale of investments	688,205,354	-	-	192,988,060	881,193,414	-
Purchase of investments	(609,204,207)	-	-	(192,914,677)	(802,118,884)	-
Interest, dividends and gains (losses)	18,808,252	-	(1,746,337)	2,914,377	19,976,292	(816,296)
Net cash provided by (used for) investing activities	97,809,399	-	(1,746,337)	2,987,760	99,050,822	(816,296)
Net increase (decrease) in cash	490,964	(58,886,738)	9,493,956	9,464,387	(39,437,431)	12,931,971
Cash and cash equivalents, July 1	5,764,091	80,178,629	84,428,882	54,288,546	224,660,148	142,913,203
Cash and cash equivalents, June 30	$ 6,255,055	$ 21,291,891	$ 93,922,838	$ 63,752,933	$ 185,222,717	$ 155,845,174

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	$ (11,390,223)	$ 27,189,829	$ 31,979,325	$ (1,697,304)	$ 46,081,627	$ (1,447,887)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	-	-	-	364,982	364,982	3,872,175
Amortization	-	-	-	-	-	214,246
Bond issuance costs amortization	1,170,280	-	379,090	-	1,549,370	-
Interest on bonds payable	26,444,014	-		-	26,444,014	-
Decrease (increase) in loans and notes receivable	22,310,609	-	(10,581,728)	-	11,728,881	5,000
Decrease (increase) in accrued interest and receivables	58,775	(17,301,876)	578,571	(3,762,007)	(20,426,537)	3,969,406
Decrease (increase) in inventory, deferred charges, other assets	3,913,659	-	-	(123,711)	3,789,948	140,691
Increase (decrease) in accounts payable, accruals, other liabilities	(2,193,999)	(7,323,785)	(24,710)	17,623,438	8,080,944	10,537,408
Other adjustments	-	-	-	-	-	(11)
Total adjustments	51,703,338	(24,625,661)	(9,648,777)	14,102,702	31,531,602	18,738,915
Net cash provided by (used for) operating activities	$ 40,313,115	$ 2,564,168	$ 22,330,548	$ 12,405,398	$ 77,613,229	$ 17,291,028
Noncash investing, capital and financing activities						
Conversion of bonds	$ 66,940,000	$ -	$ -	$ -	$ 66,940,000	$ -
Increase (decrease) in fair value of investments	-	-	-	5,971,232	5,971,232	-

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

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
Cash and pooled investments:				
Cash with treasurer	$ 1,528,963	$ 9,332	$ 5,134,366	$ 81,247,513
Cash in custody of other officials	593,524,578	10,725,936	6,619,077	38,814,981
Investments:				
Investments	940,236	1,064,442,063	9,182,521,279	189,224,684
Fixed income securities	7,146,546,121	-	-	-
Marketable equity securities	10,191,138,667	-	-	-
International securities	5,998,645,275	-	-	-
Real estate	1,274,776,786	-	-	-
Alternative investments	823,381,966	-	-	-
Collateral on loaned securities	4,282,354,105	-	-	-
Receivables:				
Accounts receivable	-	-	130,361	-
Accrued interest and dividends	98,664,392	2,142,101	1,398,795	-
Taxes receivable	-	-	-	45,941,051
Trades pending settlement	100,598,488	151,327	747,658	-
Intergovernmental receivables	106,338,087	-	6,508	100,713
Contributions receivable	-	-	7,378,873	-
Other receivables	-	-	-	109,395
Due from other funds	106,963	-	182,150	458,521,181
Due from fiduciary funds	17,540,862	-	-	10,386,098
Due from component unit	1,089,169	-	-	-
Other assets	1,943,229	-	-	-
Furniture and equipment	38,012,927	-	-	-
Accumulated depreciation	(34,477,355)	-	-	-
Total assets	30,642,653,459	1,077,470,759	9,204,119,067	824,345,616
Liabilities				
Accounts payable and accruals:				
Accounts payable	12,450,955	139,746	1,828,504	-
Accrued payroll and related liabilities	-	-	-	3,770
Intergovernmental payables	-	5,176	23,220	504,331,783
Redemptions payable	-	-	2,153,248	-
Trades pending settlement	334,653,478	11,353,105	2,075,735	-
Bank overdraft	-	-	453,000	-
Obligations under securities lending	4,324,339,085	-	-	-
Due to other funds	2,402,664	37,518	634,884	-
Due to fiduciary funds	-	-	33,477	27,893,483
Other liabilities:				
Deposits	-	-	-	285,729,611
Other liabilities	-	-	-	6,386,969
Total liabilities	4,673,846,182	11,535,545	7,202,068	824,345,616
Net Assets				
Held in trust for:				
Employees' pension benefits	25,967,529,585	-	-	-
OPEB benefits	1,277,692	-	-	-
Pool participants	-	1,065,935,214	-	-
Individuals	-	-	9,196,916,999	-
Total net assets	$ 25,968,807,277	$ 1,065,935,214	$ 9,196,916,999	$ -

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

NEVADA

For the Fiscal Year Ended June 30, 2012

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
Contributions:			
Employer	$ 1,368,166,392	$ -	$ -
Plan members	98,209,337	-	-
Participants	-	-	2,328,941,249
Repayment and purchase of service	37,993,705	-	-
Total contributions	1,504,369,434	-	2,328,941,249
Investment income:			
Net increase (decrease) in fair value of investments	34,725,381	(2,548,438)	(81,283,496)
Interest, dividends	673,857,038	12,979,485	212,318,586
Net securities lending income	(3,406,661)	-	-
Other	91,642,326	-	-
	796,818,084	10,431,047	131,035,090
Less investment expense:			
Other	(29,022,141)	(30,761)	-
Net investment income	767,795,943	10,400,286	131,035,090
Other:			
Investment from local governments	-	781,043,373	-
Reinvestment from interest income	-	685,478	-
Other	2,138,652	312	-
Total other	2,138,652	781,729,163	-
Total additions	2,274,304,029	792,129,449	2,459,976,339
Deductions			
Principal redeemed	-	840,089,025	1,398,789,751
Benefit payments	1,588,595,395	-	17,600,480
Refunds	27,783,467	-	-
Contribution distributions	1,660,482	-	-
Dividends to investors	-	735,093	-
Administrative expense	10,111,946	644,129	21,695,787
Transfer out	-	-	-
Total deductions	1,628,151,290	841,468,247	1,438,086,018
Change in net assets	646,152,739	(49,338,798)	1,021,890,321
Net assets, July 1	25,322,654,538	1,115,274,012	8,175,026,678
Net assets, June 30	$ 25,968,807,277	$ 1,065,935,214	$ 9,196,916,999

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

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

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

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

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

The *Colorado River Commission* (CRC) is a legally separate entity responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three are 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 separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

(Note 1 Continued)

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of 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 have constraints on resources that are imposed by management but can be removed or modified.

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities

(Note 1 Continued)

and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance.

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 policy of the State is to expend restricted revenues first in a fund, followed by unrestricted revenues.

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 *Permanent School Fund* accounts for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education.

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:

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

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

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

(Note 1 Continued)

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

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

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

D. Assets, Liabilities and Net Assets/Fund Balance

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

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

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

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

Derivatives are generally valued at quoted market value. Under the circumstance where quoted market values are not considered to be readily available, such derivatives are reported at estimated fair value and the methods and significant assumptions used are described in Note 3D.

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 nonspendable fund balance 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 nonspendable fund balance 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. These amounts are reported in the nonspendable fund balance in the General Fund to maintain the accountability and to disclose properly the amount available for appropriation. In other governmental funds this amount will be reported in restricted, committed, or assigned fund balances. Repayments are credited to the receivable and corresponding reductions are made in the appropriate fund balance. A summary of interfund advances is presented in Note 5.

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

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

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

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

Compensated Absences - Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report a liability and expenditure for compensated absences only if the liability has matured as a result of employee resignations or retirements. Thus no expenditure would be recognized in governmental funds for the unpaid balance of compensated absences for employees still in active service at the end of the reporting period. On the Statement of Net Assets, the accrued compensated absences for both proprietary and governmental fund types is reported.

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 Components – In governmental fund financial statements, fund balances are classified based primarily on the extent to which the State is bound to observe constraints imposed upon the use of the resources in the fund as follows:

- Nonspendable fund balance includes items that cannot be spent because they are either not in spendable form (such as inventories, prepaid amounts and in the General Fund long-term portion of loans/notes receivables) or legally or contractually required to be maintained intact (such as the principal of a permanent fund).

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.

- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Nevada Legislature, through legislation passed into law.

- Assigned fund balance includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch.

- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. Balances in the Legislatively created funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The State's policy is to spend restricted amounts first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the assumed order of spending is first committed, assigned and then unassigned.

Note 11 provides a disaggregation of governmental fund balances, nonspendable, restricted, committed, and unassigned.

Minimum Fund Balance Policy - NRS 353.213(3) requires that the proposed budget for each fiscal year of the biennium provide for a reserve of not less than 5% or more than 10% of the total of all proposed appropriations from the State General Fund for the operation of all departments, institutions and agencies of the State and authorized expenditures from the State General Fund for the regulation of gaming for that fiscal year.

Stabilization Arrangement – NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or if the Legislature and Governor declare that a fiscal emergency exists. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2012 is $84,737,276.

E. Intergovernmental Assistance Programs

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

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

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

The legal level of budgetary control, the level at which appropriations are approved and the level at which over- expenditure of appropriations or transfers of appropriated amounts may not occur without Legislative action, is at the total program level within each department or agency.

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of $20,000 which have the effect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or $50,000, whichever is less. Revisions not exceeding this threshold require only Budget Director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Account, in the General Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling $29,035,504 were made in the 2012 fiscal year.

Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

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

1. Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
2. Advances to other funds are considered expenditures. 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.
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 (NRS) 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 which are not expressly required by law to be received and kept by another party. NRS 226.110(3) further requires that the Office of the State Treasurer shall establish the policies to be followed in the investment of money of the State of Nevada.

A. Deposits

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS 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, 2012, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled $65,760,357, of which $4,920,029 was uncollateralized and uninsured.

Component Units - Cash and cash equivalents of the Nevada System of Higher Education (NSHE) are stated at cost, which approximates market, and consist of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2012 NSHE's deposits in money market funds totaled $186,277,000 and cash in bank was $18,409,000. Of these balances, $250,000 are covered by the Federal Depository Insurance Corporation (FDIC); the remaining deposits are uncollateralized and uninsured.

B. Investments

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

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

Investments held in the Local Government Investment Pool (LGIP), Retirement Benefits Investment Fund (RBIF), and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the following tables. LGIP, RBIF, and NVEST are investment trust funds and discussed further in Note 1, Assets, Liabilities and Net Assets/Fund Balance. LGIP and NVEST are governed by the Nevada State Board of Finance and administered by the Nevada State Treasurer. Complete financial statements for LGIP and NVEST may be obtained from the State Treasurer's Office, 101 N. Carson Street, Suite 4, Carson City, NV 89701. RBIF is administered by the Retirement Benefits Investment Board. The audited financial statements of RBIF may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

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

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Aggregate Index benchmark. If securities are purchased outside the Barclays Aggregate Index, they must be of investment grade rating by at least two of the following: Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's) except those issued or guaranteed by the U.S. Government or its agencies. The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2012 (expressed in thousands):

(Note 3 Continued)

	Fair Value	Maturities in Years: Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	$ 418,153	$ 202,046	$ 201,354	$ 6,229	$ 8,524
Negotiable certificate of deposit	34,997	34,997	-	-	-
U. S. agencies	6,942,452	1,285,846	1,924,612	858,339	2,873,655
Mutual funds	9,775	9,775	-	-	-
Asset backed corporate securities	289,459	162,106	100,184	15,073	12,096
Corporate bonds and notes	2,117,791	108,954	776,323	680,657	551,857
Commercial paper	51,969	51,969	-	-	-
Fixed income securities	21,869	21,869	-	-	-
International investments	1,680,823	42,227	671,914	495,918	470,764
Municipal bonds	649,210	9,191	100,010	46,783	493,226
Investment agreements	3,998	-	-	446	3,552
Other short-term investments	681,435	681,435	-	-	-
Collateralized mortgage obligations	237,556	4,872	17,722	42,807	172,155
Total	$ 13,139,487	$ 2,615,287	$ 3,792,119	$ 2,146,252	$ 4,585,829

The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. The mutual funds held by Vanguard, USAA, Upromise, and Putnam have various maturities from 19 days to 11.3 years and are not included in the table above.

Component Units – The Nevada System of Higher Education's (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds and private commingled funds. The following table provides the segmented time distribution for these investments at June 30, 2012 (expressed in thousands):

Less than 1 year	$ 209,617
1 to 5 years	150,324
6 to 10 years	18,986
More than 10 years	-
Total	$ 378,927

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

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

- Commercial paper, Negotiable Certificates of Deposit, and Bankers' Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

In addition to the above provisions, investment policies for the pension and other employee benefit trust funds allow investment in corporate bonds, assets-related instruments, and foreign debt issued in the U.S. rated by at least two of the following: Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to credit risk for the investments. Investments having credit risk are included in the table below.

The State's investments as of June 30, 2012 were rated by Standard & Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value, expressed in thousands):

(Note 3 Continued)

	Quality Rating						
	AAA	AA	A	BBB	BB	B	Unrated
Negotiable certificate of deposit	$ -	$ -	$ 34,997	$ -	$ -	$ -	$ -
U.S. agencies	128,274	3,442,239	514,771	-	-	-	194,931
Mutual funds	9,517	-	-	-	-	-	8,949,577
Asset backed corporate securities	138,803	13,914	130,637	104	11	777	4,089
Corporate bonds and notes	78,503	317,509	997,034	663,572	26,818	277	21,220
Commerical paper	-	-	51,969	-	-	-	-
Fixed income securities	-	-	-	-	-	-	21,851
International investments	143,744	61,425	147,863	177,486	13	-	1,150,291
Municipal bonds	-	649,210	-	-	-	-	-
Investment agreements	-	-	1,627	1,576	-	450	345
Other short-term investments	199,154	63,606	27,023	-	-	-	541,990
Collateralized mortgage obligations	98,699	22,621	20,500	23,822	2,100	-	24,506
Total	$ 796,694	$ 4,570,524	$ 1,926,421	$ 866,560	$ 28,942	$ 1,504	$ 10,908,800

As of June 30, 2012, the State of Nevada held debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the State's debt securities will not be known until the bankruptcy proceedings are completed. However, debt obligations of Lehman Brothers Holdings Inc. held by the State were marked to market at June 30, 2012.

Component Unit – The NSHE's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2012 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	$ 487,181
Partnerships	96,187
Equities	5,454
Endowment cash/cash equivalents	1,718
Trust(s)	5,563
Private commingled funds	96,951
Total	$ 693,054

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of the Housing Division and the Investment Trust Funds. At June 30, 2012, the following investments exceeded 5% of the Primary Government and Investment Trust Funds' total investments (expressed in thousands):

	Fair Value	Percentage
Primary government		
Federal Home Loan Bank	$ 577,940	18.23%
Federal National Mortgage Assoc	261,088	8.24%
So Nevada Water Authority	216,410	6.83%
Investment Trust Funds		
Federal Home Loan Bank	197,671	17.33%
Federal National Mortgage Assoc	156,639	13.74%
Federal Home Loan Mortgage Corp	129,886	11.39%

At June 30, 2012, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal National Mortgage Association	$ 17,557	12.30%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Housing Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative investment providers. As of June 30, 2012, the Housing Division's investments in Fannie Mae and Ginnie Mae are 13% and 39% respectively, of the Housing Division's total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Housing Division is less concerned about a concentration risk on these investments.

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

Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds - The primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any

(Note 3 Continued)

deposits or investments in foreign currency. The PERS, LRS, JRS, and RBIF do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. The following table summarizes the pension and other employee benefit trust funds and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2012 (expressed in thousands):

	Currency by Investment and Fair Value				
	Fixed Income	Equity	Derivatives	Cash	Total
Australian Dollar	$ 17,956	$ 274,114	$ -	$ 608	$ 292,678
British Pound Sterling	100,366	870,588	1,800	4,135	976,889
Canadian Dollar	36,405	21,300	-	1,925	59,630
Danish Krone	10,179	40,728	300	618	51,825
Euro	493,709	1,119,569	-	2,517	1,615,795
Hong Kong Dollar	-	105,160	-	206	105,366
Israeli Shekel	-	16,348	-	101	16,449
Japanese Yen	603,466	698,372	(2,500)	7,863	1,307,201
Malaysian Ringgit	2,950	-	-	505	3,455
Mexican New Peso	17,395	-	-	1,313	18,708
New Zealand Dollar	-	3,535	-	-	3,535
Norwegian Krone	3,522	61,461	-	304	65,287
Polish Zloty	8,971	-	-	407	9,378
Singapore Dollar	4,828	72,824	-	417	78,069
Swedish Krona	7,261	94,007	-	706	101,974
Swiss Franc	2,140	335,066	-	2,506	339,712
Total	$ 1,309,148	$ 3,713,072	$ (400)	$ 24,131	$ 5,045,951

Private Purpose Trust Fund - The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to foreign currency risk for the investments. The Plan consists of Vanguard College Savings Plan, USAA College Savings Plan, Upromise College Fund Plan, and Putnam for America Plan which all state that there are certain inherent risks involved when investing in international securities through mutual funds that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments, natural disasters and possible prevention or delay of currency exchange due to foreign governmental laws or restrictions. The investments held in Putnam for America Plan consist of the portfolios managed and sponsored by Putnam Investment Management, Putnam Mutual Funds, and non-Putnam Mutual Funds. Both mutual funds pose no foreign currency risk. The following table summarizes foreign currency risk for the above portfolios in U.S. dollars as of June 30, 2012 (expressed in thousands):

	Currency at Fair Value
Japenese Yen	$ 4
Taiwan Dollar	18
Total	$ 22

Component Unit - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has $126,490,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2012.

C. Securities Lending

Primary Government and Investment Trust Funds - NRS 355.135 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of market value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2012 (excluding PERS).

Public Employees' Retirement System (PERS) – The system also maintains a securities lending program under the authority of the "prudent person" standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities, and international equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. Collateral received for the lending of U.S. securities must equal at least 102% of market value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of market value, plus accrued interest in the case of fixed income securities.

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 do not match the maturities of the securities loaned because securities lending transactions can be terminated at will.

(Note 3 Continued)

The fair value of underlying securities on loan at June 30, 2012 is $4,218,327,724. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2012, 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

Primary Government – The Office of the State Treasurer's investment policies do not contain any specific language regarding derivatives other than prohibiting certain types of derivatives such as option contracts, futures contracts, and swaps in the General Portfolios and the Local Government Investment Pool effective May 2011 and September 2011 respectively. The primary government has no exposure to derivatives as of June 30, 2012.

Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds – The PERS, LRS, JRS, and RBIF have exposure to derivatives as of June 30, 2012. Furthermore, the State Retirees' Health and Welfare Benefits Fund, an other employee benefit trust fund, has investments held with the RBIF. Foreign exchange forward contracts are periodically employed by PERS, LRS, JRS, and RBIF to hedge currency risk of investments in foreign currencies. No other derivatives are permitted within these portfolios. Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolios. Counterparty risk, the risk that the "other party" to a contract will default, is managed by careful screening of counterparties. Derivative securities are priced and accounted for at fair value. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets. The PERS, LRS, JRS, and RBIF's derivative transactions for fiscal year 2012 are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				
	Purchases	Realized Gain (Loss)	Sells	Realized Gain (Loss)	Total Realized Gain (Loss)
Australian Dollar	$ 39,700	$ (125)	$ (16,015)	$ (45)	$ (170)
British Pound Sterling	140,755	(888)	(63,699)	(181)	(1,069)
Canadian Dollar	20,049	23	(4,866)	(23)	-
Danish Krone	12,020	(100)	(2,319)	5	(95)
Euro	314,752	(585)	(182,431)	(127)	(712)
Hong Kong Dollar	13,305	(2)	(731)	-	(2)
Israeli Shekel	1,888	(4)	(469)	(1)	(5)
Japanese Yen	168,560	213	(74,030)	(304)	(91)
Malaysian Ringgit	23	-	-	-	-
Mexican New Peso	1,660	1	(1,739)	(66)	(65)
New Zealand Dollar	303	1	(102)	5	6
Norwegian Krone	14,278	(41)	(4,317)	(10)	(51)
Polish Zloty	1,858	(10)	(1,467)	(7)	(17)
Singapore Dollar	8,772	(23)	(2,828)	(19)	(42)
Swedish Krona	14,158	(131)	(16,488)	(29)	(160)
Swiss Franc	48,425	(116)	(17,531)	129	13
Total	$ 800,506	$ (1,787)	$ (389,032)	$ (673)	$ (2,460)

The PERS derivative pending transactions as of June 30, 2012, are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				
	Purchases	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
British Pound Sterling	$ 1,815	$ 19	$ -	$ -	$ 19
Danish Krone	259	5	-	-	5
Euro	77	2	-	-	2
Japanese Yen	-	-	(2,521)	7	7
Total	$ 2,151	$ 26	$ (2,521)	$ 7	$ 33

(Note 3 Continued)

Management of PERS and RBIF believes that it is unlikely that any of the derivatives in the portfolios could have a material adverse effect on their financial condition. 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 portfolios.

Private Purpose Trust Fund – Certain investments in the Nevada College Savings Plan are managed by Putnam Investment Management through Putnam sponsored portfolios (the Portfolios) and mutual funds, and non-Putnam managed mutual funds. The Portfolios use five types of derivatives: futures contracts, forward currency contracts, total return swap contracts, interest rate swap contracts, and credit default contracts. Currently, there is no written investment policy with regard to derivatives for the Portfolios. All five types of derivatives are considered investments. The fair value amount in the table below represents the unrealized appreciation (depreciation) from derivative financial instruments and is reported in the Statement of Fiduciary Net Assets. The net increase (decrease) in fair value is reported as investment income on the Statement of Changes in Fiduciary Net Assets. The Portfolios' investment derivative instruments as of June 30, 2012, and changes in fair value for the year then ended are summarized in the following table (expressed in thousands):

	Contracts/ Notional Amounts	Fair Value	Change in Fair Value
Interest Rate Swap Contracts, gross	$ 22,085	$ 11	$ 11
Total Return Swap Contracts, gross	1	55	(12)
Credit Default Contracts, gross	19,423	(51)	(14)
Forward Currency Contracts, net	112,598	(157)	(42)
Futures Contracts, gross	-	59	(90)
Total	$ 154,107	$ (83)	$ (147)

The Portfolios use futures contracts to hedge interest rate risk, gain exposure to interest rates, hedge prepayment risk, equitize cash, and manage exposure to market risk. The potential risk is that the change in value of futures contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly, or if the counterparty to the contract is unable to perform. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The Portfolios and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin."

The Portfolios buy and sell forward currency contracts, which are agreements between two parties to buy and sell securities at a set price on a future date. These contracts are used to hedge foreign exchange risk and to gain exposure on currency. The contract is marked to market daily using current forward currency exchange rates supplied by a quotation service. The Portfolios may be exposed to risk if the value of currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the Portfolios are unable to enter into a closing position. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Assets.

The Portfolios entered into total return swap contracts to hedge sector exposure, manage exposure to specific sectors or industries, manage exposure to credit risk, and gain exposure to specific markets or countries. Total return swap contracts are arrangements to exchange a market linked return for a periodic payment both based on a notional principal amount. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Portfolios will receive a payment from or make a payment to the counterparty. Total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The Portfolios' maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterparty. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Assets.

The Portfolios entered into interest rate swap contracts to hedge interest rate risk and to gain exposure on interest. Interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. The Portfolios' maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterpart. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Assets.

(Note 3 Continued)

The Portfolios entered into credit default contracts to hedge credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In a credit default contract, the protection buyer typically makes an up-front payment and periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. The credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. In addition to bearing the risk that the credit event will occur, the Portfolios could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that it may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the Portfolios may enter into offsetting credit default contracts which could mitigate their risk of loss. The maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterparty. Where the Portfolios are a seller of protection, the maximum potential amount of future payments it may be required to make is equal to the notional amount of the relevant credit default contract.

Derivative instruments held by the Portfolios were not individually rated by a ratings agency for the reporting period. The maximum amount of loss due to credit risk is defined as the fair value of the derivative. As of June 30, 2012, over the counter derivative counterparties had ratings that were either greater than or equivalent to long-term ratings of Ba1/A and short-term ratings P-1 /A-1 except for futures contracts. With futures, there is minimal counterparty credit risk to the Portfolios since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. The extent of diversification among counterparties is presented below (at fair value, expressed in thousands):

Counterparty	Interest Rate Swap	Total Return Swap	Credit Default	Forward Currency	Futures	Total
Bank of America, N.A.	$ -	$ -	$ (9)	$ 1	$ -	$ (8)
Barclays Bank PLC	-	-	-	(25)	-	(25)
Citibank, N.A.	-	55	-	(33)	-	22
Credit Suisse AG	11	-	25	(12)	-	24
Deutsche Bank AG	-	-	-	(19)	-	(19)
HSBC Bank USA, National Association	-	-	-	(34)	-	(34)
JPMorgan Chase Bank, N.A.	-	-	(67)	(43)	-	(110)
Royal Bank of Scotland PLC (The)	-	-	-	2	-	2
State Street Bank and Trust Co.	-	-	-	9	-	9
UBS AG	-	-	-	15	-	15
Westpac Banking Corp.	-	-	-	(18)	-	(18)
Subtotal	11	55	(51)	(157)	-	(142)
MSCI EAFE	-	-	-	-	70	70
NASDAQ	-	-	-	-	(28)	(28)
S&P 500	-	-	-	-	(10)	(10)
U.S. Treasury	-	-	-	-	27	27
Total	$ 11	$ 55	$ (51)	$ (157)	$ 59	$ (83)

All five types of investment derivative instruments are subject to interest rate risk. Prices of longer term maturities generally change more in response to interest rate changes than the prices of shorter term maturities. The following table provides information about the interest rate risks associated with the types of investment derivative instruments as of June 30, 2012 (expressed in thousands):

	Maturities in Years				
	Less than 1	1-5	6-10	Greater than 10	Total
Interest Rate Swap Contracts	$ -	$ (2)	$ 4	$ 9	$ 11
Total Return Swap Contracts	55	-	-	-	55
Credit Default Contracts	-	(51)	-	-	(51)
Forward Currency Contracts	(157)	-	-	-	(157)
Futures Contracts	59	-	-	-	59
Total	$ (43)	$ (53)	$ 4	$ 9	$ (83)

The Portfolios' investments in foreign securities are subject to foreign currency risk. The following table provides information about the foreign exchange contracts from open/pending forward contracts as of June 30, 2012 (expressed in thousands):

(Note 3 Continued)

	Forward Currency Contracts				
	Buy	Fair Value	Sell	Fair Value	Total Fair Value
Australian Dollar	$ 6,824	$ 158	$ 5,689	$ (222)	$ (64)
Brazilian Real	748	5	520	(3)	2
British Pound	6,275	78	4,653	(58)	20
Canadian Dollar	2,562	29	4,516	(44)	(15)
Chilean Peso	1,129	8	860	(8)	-
Czech Koruna	1,770	15	3,015	(38)	(23)
Euro	11,138	201	14,906	(217)	(16)
Hong Kong Dollar	192	-	8	-	-
Hungarian Forint	591	22	443	(28)	(6)
Indian Rupee	-	-	137	(1)	(1)
Japanese Yen	8,948	(84)	8,664	88	4
Malaysian Ringgit	-	-	56	-	-
Mexican Peso	763	13	1,084	(28)	(15)
New Zealand Dollar	-	-	534	(22)	(22)
Norwegian Krone	4,945	104	4,696	(108)	(4)
Philippines Peso	122	3	-	-	3
Polish Zloty	331	5	420	(18)	(13)
Singapore Dollar	15	-	375	(4)	(4)
South African Rand	448	1	359	(19)	(18)
South Korean Won	586	6	89	(3)	3
Swedish Krona	4,141	88	2,810	(86)	2
Swiss Franc	1,759	34	1,400	(28)	6
Taiwan Dollar	6	(1)	274	(1)	(2)
Thai Baht	134	(1)	-	-	(1)
Turkish Lira	2,254	19	1,409	(12)	7
Total	$ 55,681	$ 703	$ 56,917	$ (860)	$ (157)

At the end of the reporting period the Portfolios had the following foreign currency exposure (expressed in thousands):

	Foreign Currency
Japanese Yen	$ 4
Taiwan Dollar	18
Total	$ 22

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):

	Major Funds		
	General	Consolidated Bond Interest and Redemption	Total
As shown on financial statements:			
Intergovernmental receivables	$ 304,258	$ 105,979	$ 410,237
Notes/loans receivable	12,096	-	12,096
Due from Component Unit	152	5,066	5,218
Total	$ 316,506	$ 111,045	$ 427,551
Classified:			
Current portion	$ 298,536	$ 1,345	$ 299,881
Noncurrent portion:			
Intergovernmental receivables	6,412	105,225	111,637
Notes/loans receivable	11,558	-	11,558
Due from Component Unit	-	4,475	4,475
Total noncurrent portion	17,970	109,700	127,670
Total	$ 316,506	$ 111,045	$ 427,551

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at $42.2 million, and uncollectible accounts receivable are estimated at $96.8 million. The proprietary funds have $65.9 million in uncollectible accounts receivable of which $6.1 million are from uninsured employers' fines and penalties, and $49.4 million are from unemployment contributions and benefit overpayments.

Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2012, follows (expressed in thousands):

	Advances From Major Funds: General	Advances From Major Funds: Consolidated Bond Interest and Redemption	Total
Advances To			
Nonmajor enterprise	$ 5,289	$ -	$ 5,289
Internal service	1,110	1,205	2,315
Total other funds	$ 6,399	$ 1,205	$ 7,604

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.

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, 2012, is shown below (expressed in thousands):

	Due To: Major Governmental Funds: General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Permanent School	Nonmajor Governmental	Total Governmental
Due From							
Major Governmental Funds:							
General	$ -	$ 1,765	$ 6	$ 413	$ 31	$ 11,647	$ 13,862
State Highway	1,222	-	-	-	-	182	1,404
Municipal Bond Bank	-	-	-	409	-	-	409
Consolidated Bond Interest and Redemption	165	-	-	-	-	17	182
Permanent School Fund	1,209	-	-	-	-	-	1,209
Nonmajor governmental	32,334	5,513	-	-	-	3,006	40,853
Total Governmental	34,930	7,278	6	822	31	14,852	57,919
Major Enterprise Funds:							
Housing Division	-	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	-	1,930	1,930
Water Projects Loans	328	-	-	-	-	-	328
Nonmajor enterprise	1,975	9	-	-	-	-	1,984
Total Enterprise	2,303	9	-	-	-	1,930	4,242
Internal Service	698	129	-	151	-	74	1,052
Total other funds	$ 37,931	$ 7,416	$ 6	$ 973	$ 31	$ 16,856	$ 63,213
Fiduciary	$ 234	$ -	$ -	$ -	$ -	$ 432	$ 666
Component Units:							
Nevada System of Higher Education	$ 152	$ 1	$ -	$ 4,925	$ -	$ -	$ 5,078
Colorado River Commission	-	-	-	141	-	-	141
Total Component Units	$ 152	$ 1	$ -	$ 5,066	$ -	$ -	$ 5,219

(Note 5 Continued)

Due From	Due To: Major Enterprise Funds: Housing Division	Due To: Major Enterprise Funds: Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
Major Governmental Funds:							
General	$ 47	$ 550	$ 1,172	$ 1,769	$ 3,736	$ 19,367	$ 457,664
State Highway	-	-	7	7	732	2,143	1,047
Municipal Bond Bank	-	-	-	-	-	409	-
Consolidated Bond Interest and Redemption	-	32	-	32	-	214	-
Permanent School Fund	-	-	-	-	-	1,209	-
Nonmajor governmental	-	-	7	7	257	41,117	11
Total Governmental	47	582	1,186	1,815	4,725	64,459	458,722
Major Enterprise Funds:							
Housing Division	-	-	-	-	3	3	-
Unemployment Comp	-	-	-	-	-	1,930	-
Water Projects Loans	-	-	-	-	1	329	-
Nonmajor enterprise	-	-	1	1	122	2,107	74
Total Enterprise	-	-	1	1	126	4,369	74
Internal Service	-	-	2	2	211	1,265	14
Total other funds	$ 47	$ 582	$ 1,189	$ 1,818	$ 5,062	$ 70,093	$ 458,810
Fiduciary	$ -	$ -	$ 6	$ 6	$ 2,403	$ 3,075	$ 27,927
Component Units:							
Nevada System of Higher Education	$ -	$ -	$ -	$ -	$ 52	$ 5,130	$ 1,089
Colorado River Commission	-	-	-	-	1	142	-
Total Component Units	$ -	$ -	$ -	$ -	$ 53	$ 5,272	$ 1,089

Due From	Due To: Component Units: Nevada System of Higher Education	Due To: Component Units: Colorado River Commission	Total Component Units
Major Governmental Funds:			
General	$ 6,457	$ 45	$ 6,502
State Highway	133	-	133
Consolidated Bond Interest and Redemption	-	28	28
Nonmajor governmental	13,176	-	13,176
Total Governmental Funds	19,766	73	19,839
Major Enterprise Funds:			
Water Projects Loans	21	-	21
Nonmajor enterprise	33	-	33
Total Enterprise	54	-	54
Internal Service	16	-	16
Total	$ 19,836	$ 73	$ 19,909

The balances result primarily 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.

(Note 5 Continued)

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2012, is shown below (expressed in thousands):

	Transfers Out/To						
	Major Governmental Funds						
Transfers In/From	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Permanent School	Nonmajor Governmental	Total Governmental
Major Governmental Funds:							
General	$ -	$ 6,462	$ -	$ 150	$ 2,007	$ 39,800	$ 48,419
State Highway	958	-	-	-	-	5,511	6,469
Consolidated Bond Interest and Redemption	4,967	-	30,014	-	-	9,793	44,774
Nonmajor governmental	33,869	601	-	-	-	1	34,471
Total Governmental	39,794	7,063	30,014	150	2,007	55,105	134,133
Major Enterprise Funds:							
Housing	25	-	-	-	-	-	25
Unemployment	-	-	-	-	-	22,553	22,553
Nonmajor enterprise	2,097	-	-	-	-	-	2,097
Total Enterprise	2,122	-	-	-		22,553	24,675
Internal Service	173	99	-	-	-	-	272
Total other funds	$ 42,089	$ 7,162	$ 30,014	$ 150	$ 2,007	$ 77,658	$ 159,080

	Transfers Out/To					
	Major Enterprise Fund					
Transfers In/From	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
Major Governmental Funds:						
General	$ -	$ 1,293	$ 11,868	$ 13,161	$ 186	$ 61,766
State Highway	-	-	-	-	1	6,470
Consolidated Bond Interest and Redemption	-	-	-	-	-	44,774
Nonmajor governmental	8,505	-	-	8,505	50	43,026
Total Governmental	8,505	1,293	11,868	21,666	237	156,036
Major Enterprise Funds:						
Housing	-	-	-	-	-	25
Unemployment	-	-	-	-	-	22,553
Nonmajor enterprise	-	-	-	-	-	2,097
Total Enterprise	-	-	-	-	-	24,675
Internal Service	-	-	-	-	-	272
Total other funds	$ 8,505	$ 1,293	$ 11,868	$ 21,666	$ 237	$ 180,983

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment. An exception was a transfer of $23 million from the General Fund to pay interest on the federal advances. The transfer was made to Employment Security (a nonmajor special revenue fund), which then transferred it to the Unemployment Compensation Fund where the interest payment was made.

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 $483 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, 2012 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	$ -	$ -	$ 24,832
Investments	103,361	103,361	32,245
Total	$ 103,361	$ 103,361	$ 57,077
Restricted for:			
Debt service	$ 103,361	$ 103,361	$ 3,267
Construction	-	-	16,110
Other purposes	-	-	37,700
Total	$ 103,361	$ 103,361	$ 57,077

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2012, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 138,485	$ 5,516	$ -	$ 144,001
Construction in progress	195,698	65,124	(121,642)	139,180
Infrastructure	3,344,626	131,474	-	3,476,100
Rights-of-way	595,018	14,587	(188)	609,417
Total capital assets, not being depreciated	4,273,827	216,701	(121,830)	4,368,698
Capital assets, being depreciated/amortized				
Buildings	1,512,952	97,163	-	1,610,115
Improvements other than buildings	120,913	-	-	120,913
Furniture and equipment	371,993	13,290	(7,327)	377,956
Software costs	155,203	18,464	(208)	173,459
Total capital assets, being depreciated/amortized	2,161,061	128,917	(7,535)	2,282,443
Less accumulated depreciation/amortization for:				
Buildings	(430,890)	(38,159)	-	(469,049)
Improvements other than buildings	(69,536)	(4,478)	-	(74,014)
Furniture and equipment	(290,691)	(24,380)	6,860	(308,211)
Software costs	(146,285)	(3,258)	203	(149,340)
Total accumulated depreciation/amortization	(937,402)	(70,275)	7,063	(1,000,614)
Total capital assets, being depreciated/amortized, net	1,223,659	58,642	(472)	1,281,829
Governmental activities capital assets, net	$ 5,497,486	$ 275,343	$ (122,302)	$ 5,650,527
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 568	$ -	$ -	$ 568
Construction in progress	8,525	82	-	8,607
Total capital assets, not being depreciated	9,093	82	-	9,175
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	5,614	280	(7)	5,887
Total capital assets, being depreciated	9,634	280	(7)	9,907
Less accumulated depreciation for:				
Buildings	(2,518)	(103)	-	(2,621)
Improvements other than buildings	(569)	(2)	-	(571)
Furniture and equipment	(4,875)	(301)	7	(5,169)
Total accumulated depreciation	(7,962)	(406)	7	(8,361)
Total capital assets, being depreciated, net	1,672	(126)	-	1,546
Business-type activities capital assets, net	$ 10,765	$ (44)	$ -	$ 10,721

(Note 7 Continued)

The increase in accumulated depreciation for the business-type activities includes depreciation expense of $364,982 and an adjustment of $40,800 to correct accumulated depreciation. Also included in the table above are three Department of Correction facilities that have been closed and are idle, with a carrying value of $12.2 million as of June 30, 2012.

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

Governmental activities:		
General government	$	3,837
Education, support services		2,517
Health, social services		10,174
Law, justice, public safety		29,173
Recreation, resource development		5,752
Transportation		11,178
Regulation of business		1,803
Unallocated		1,755
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		4,086
Total depreciation/amortization expense - governmental activities	$	70,275
Business-type activities:		
Enterprise	$	365
Total depreciation expense - business-type activities	$	365

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2012, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	$ 75,776	$ 40,211	$ (89,078)	$ 26,909
Land	82,627	-	-	82,627
Intangibles	808	-	-	808
Collections	11,304	320	(309)	11,315
Total capital assets, not being depreciated	170,515	40,531	(89,387)	121,659
Capital assets, being depreciated				
Buildings	2,241,786	105,147	(25,818)	2,321,115
Land and improvements	112,728	1,254	-	113,982
Machinery and equipment	324,583	24,498	(15,277)	333,804
Intangibles	36,839	2,748	-	39,587
Library books and media	121,369	3,336	(4,831)	119,874
Total capital assets, being depreciated	2,837,305	136,983	(45,926)	2,928,362
Less accumulated depreciation for:				
Buildings	(599,436)	(56,757)	8,260	(647,933)
Land and improvements	(81,760)	(3,944)	-	(85,704)
Machinery and equipment	(223,362)	(25,900)	13,842	(235,420)
Intangibles	(7,254)	(4,022)	-	(11,276)
Library books and media	(109,894)	(5,066)	4,536	(110,424)
Total accumulated depreciation	(1,021,706)	(95,689)	26,638	(1,090,757)
Total capital assets, being depreciated, net	1,815,599	41,294	(19,288)	1,837,605
Nevada System of Higher Education activity capital assets, net	$ 1,986,114	$ 81,825	$ (108,675)	$ 1,959,264

Note 8 - Long-Term Obligations

A. 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, 2012 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,952,885	$ 218,610	$ (301,040)	$ 1,870,455	$ 106,775
Special obligation bonds	612,045	66,490	(120,800)	557,735	53,300
Subtotal	2,564,930	285,100	(421,840)	2,428,190	160,075
Issuance premiums on bonds	104,921	40,530	(26,942)	118,509	14,244
Total bonds payable	2,669,851	325,630	(448,782)	2,546,699	174,319
Certificates of participation	55,475	-	(1,660)	53,815	1,815
Issuance premiums on certificates of participation	591	-	(99)	492	98
Total certificates of participation	56,066	-	(1,759)	54,307	1,913
Other Governmental long-term activities:					
Obligations under capital leases	30,970	-	(2,575)	28,395	1,688
Compensated absences obligations	99,757	68,126	(74,398)	93,485	59,509
Arbitrage rebate liability	1,479	-	(680)	799	732
Total other governmental long-term activities	132,206	68,126	(77,653)	122,679	61,929
Governmental activities long-term obligations	$ 2,858,123	$ 393,756	$ (528,194)	$ 2,723,685	$ 238,161
Business-type activities:					
Bonds payable					
General obligation bonds	$ 108,975	$ 31,280	$ (38,575)	$ 101,680	$ 9,565
Special obligation bonds	920,508	48,346	(157,962)	810,892	13,626
Subtotal	1,029,483	79,626	(196,537)	912,572	23,191
Issuance premiums	2,465	3,661	(1,142)	4,984	664
Total bonds payable	1,031,948	83,287	(197,679)	917,556	23,855
Compensated absences obligations	1,754	1,199	(1,309)	1,644	989
Federal unemployment advance	773,160	314,947	(367,675)	720,432	-
Tuition benefits payable	141,975	23,254	(6,133)	159,096	13,337
Arbitrage rebate liability	37	-	(37)	-	-
Business-type activities long-term obligations	$ 1,948,874	$ 422,687	$ (572,833)	$ 1,798,728	$ 38,181

The General Fund and special revenue funds typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the General Fund and special revenue funds incurring the related salaries and wages costs. The debt service funds typically liquidate the arbitrage obligations.

B. Bonds Payable

The State issues general obligation bonds for the acquisition, construction and improvement of major capital facilities; buying local governments' bonds in the municipal bond bank fund; loans to municipalities for water projects; protection of natural resources; cultural affairs projects; the construction, reconstruction, improvement and maintenance of highways; and for refunding purposes. General obligation bonds are direct obligations and pledge the full faith and credit of the State.

Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation housing bonds in the aggregate have a debt limit of $5 billion and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State.

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2012 are comprised of the following (expressed in thousands):

(Note 8 Continued)

	Interest Rates	Original Amount	Principal Outstanding
Governmental activities:			
General obligation bonds:			
Subject to Constitutional Debt Limitation	3.0-7.0%	$ 1,705,900	$ 1,258,055
Exempt from Constitutional Debt Limitation	1.6-7.0%	1,442,700	612,400
Special obligation bonds:			
Exempt from Constitutional Debt Limitation-			
Highway Improvement Revenue Bonds	2.5-6.0%	930,415	557,735
Subtotal		4,079,015	2,428,190
Issuance premiums		206,024	118,509
Governmental activities bonds payable		4,285,039	2,546,699
Business-type activities:			
General obligation bonds:			
Exempt from Constitutional Debt Limitation	2.0-6.3%	194,045	101,680
Special obligation bonds:			
Housing Bonds	*.5-7.6%	1,071,590	810,892
Subtotal		1,265,635	912,572
Issuance premiums		6,997	4,984
Business-type activities bonds payable		1,272,632	917,556
Total bonds payable		$ 5,557,671	$ 3,464,255

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

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2012, of the primary government are summarized in the table following (expressed in thousands):

Year Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2013	$ 160,075	$ 115,678	$ 23,191	$ 29,754
2014	170,400	107,848	21,966	29,173
2015	155,965	99,781	22,475	28,302
2016	154,085	92,185	22,968	27,418
2017	179,805	84,703	22,925	26,478
2018-2022	835,365	295,570	134,936	114,776
2023-2027	709,455	110,025	176,091	79,230
2028-2032	59,910	5,404	148,385	51,223
2033-2037	3,130	401	193,233	25,718
2038-2042	-	-	137,037	7,360
2043-2047	-	-	6,445	1,100
2048-2052	-	-	2,920	246
Total	$ 2,428,190	$ 911,595	$ 912,572	$ 420,778

C. 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, 2012, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	$ 1,671,513
Less: Bonds and leases payable as of June 30, 2012, subject to limitation	(1,293,386)
Remaining debt capacity	$ 378,127

(Note 8 Continued)

D. 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. Eighteen projects were funded through the Nevada Municipal Bond Bank as of June 30, 2012, and total investments in local governments amounted to $286,235,000.

E. Refunded Debt and Redemptions

During the fiscal year 2012, the State of Nevada refunded $213,945,000 in general obligation, limited tax, bonds related to capital improvements, cultural resources, natural resources and water projects loans by issuing refunding bonds with a total par amount of $205,050,000 at a $29,030,015 premium. Proceeds from refunding bonds were used to refund certain outstanding State general obligation bonds to realize debt service savings, to restructure certain outstanding State general obligation bonds paid from property taxes to more closely align debt service paid from property taxes with projected property tax revenues, and to refund certain outstanding self-supporting bonds to realize debt service savings. In addition, the State refunded $69,965,000 in special obligation bonds, payable and collectible solely out of the gross pledged revenues, by issuing refunding bonds with a total par amount of $66,490,000 at a $12,547,683 premium. The refunding decreased the aggregate debt service payments by $18,954,126 with an economic or present value gain of $19,116,320. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of $14,011,943. This amount is being reported as a deferred charge and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. The impact of the refunding issues is presented in the following table (expressed in thousands):

Issue Description:	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
General obligation bonds:				
Capital Improvement, Cultural Affairs and Refunding Bonds Series 2011A	$ 43,753	$ 39,670	$ (1,733)	$ 697
Water Pollution Control Revolving Fund Leveraged Refunding Bonds Series 2011C	31,770	29,740	2,280	2,074
Open Space, Parks and Cultural Resources Refunding Bonds Series 2011D	36,789	34,325	2,031	1,795
Open Space, Parks and Natural Resources Refunding Bonds Series 2011E	15,965	14,895	877	782
Nevada Municipal Bond Bank Projects Nos. 80, 81, 82 and 83 Series 2012A	10,612	10,135	2,256	1,833
Capital Improvement and Cultural Affairs Refunding Bonds Series 2012B	59,273	53,315	4,096	3,749
Natural Resources Refunding Bonds Series 2012C	29,864	27,120	2,084	1,882
Open Space, Parks and Natural Resources Refunding Bonds Series 2012D	5,018	4,745	772	603
Special obligation bonds:				
Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds Series 2012	78,642	69,965	6,291	5,701
Total	$ 311,686	$ 283,910	$ 18,954	$ 19,116

In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The total outstanding amount of defeased issues at June 30, 2012 is $361,193,445.

F. 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.

G. Capital Leases

The State has entered into various agreements for the lease of equipment and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2012, include equipment with a historical cost of $1,442,000 with accumulated depreciation of $1,186,000 and building improvements of $27,810,000 with accumulated depreciation of $2,230,000.

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, 2012 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2013	$ 2,988
2014	3,035
2015	3,082
2016	3,160
2017	3,228
2018-2022	16,079
2023-2027	5,756
Total minimum lease payments	37,328
Less: amount representing interest	(8,933)
Obligations under capital leases	$ 28,395

(Note 8 Continued)

H. Certificates of Participation

In fiscal year 2010, the Nevada Real Property Corporation, a blended component unit, issued $7,900,000 of general obligation certificates of participation at 5.0-5.125% interest to prepay the remaining outstanding balance of the 1999 issue of the Nevada Real Property Corporation. The original 1999 issue of $15,000,000 was to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility. The 2010 issue is a direct general obligation of the State to which the full faith and credit of the State is pledged. 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. In fiscal year 2005, the Nevada Real Property Corporation issued $22,435,000 of Lease Revenue Certificates of Participation at 3.0-5.0% interest to finance the acquisition of a site for and the construction of a new correctional facility in Las Vegas. In fiscal year 2007, the Nevada Real Property Corporation issued $5,760,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau's existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises. Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State's obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. However, the payment of principal and interest on both issues of certificates is being guaranteed by an insurance policy.

The following schedule presents future certificates of participation payments as of June 30, 2012 (expressed in thousands):

Year Ending June 30	Principal	Interest
2013	$ 1,815	$ 2,488
2014	1,975	2,406
2015	2,150	2,314
2016	2,330	2,214
2017	2,530	2,107
2018-2022	10,085	9,163
2023-2027	13,910	5,962
2028-2032	19,020	2,427
Total	$ 53,815	$ 29,081

I. Tuition Benefits Payable

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

APV of the future tuition obligation	$159,096
Net assets available	161,470
Net assets as a percentage of tuition benefits obligation	101.49%

The actuarial valuation used an investment yield assumption of 6.75% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
2013-14	11.99%	11.92%
2014-15	0.00%	0.00%
2015-16	8.00%	8.00%

J. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2012, and changes for the fiscal year then ended is presented in Section A of this note.

K. 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.

(Note 8 Continued)

As of June 30, 2012, there are ten series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of $935,301,217. Included in this amount is $711,071,150 payable from the Las Vegas Monorail Company that filed Chapter 11 bankruptcy protection on January 13, 2010 in order to restructure the company's debt through this process. On May 11, 2012, the Las Vegas Monorail Co.'s reorganization plan was approved by a bankruptcy judge, which allows the company to exit Chapter 11 bankruptcy.

L. Pledged Revenue

Pledged motor vehicle and special fuel tax - The State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay the Highway Improvement Revenue Bonds that were issued for highway construction projects and property acquisition purposes. In May 2012 some of these bonds were refunded as discussed in Section E of this note. The outstanding balance as of June 30, 2012 is $557,735,000. Total principal and interest remaining on the bonds is $715,361,536 payable through December 2026. Upon completion of eligible projects, federal aid of $235,761,313 is expected to be received in fiscal year 2013. For the current year, principal and interest paid was $79,285,210, and total motor vehicle fuel and special fuel tax revenues were $264,355,723.

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

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

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

M. Federal Unemployment Advance

As of June 30, 2012, the total amount of advances and interest due to the U.S. Department of Labor in accordance with provisions of Title XII, Section 1201 of the Social Security Act totaled $720,432,318 and $18,902,445 respectively. The interest rate set by the Department of the Treasury as of October 1, 2011 is 2.94%. Current fiscal year advances and repayments totaled $314,946,333 and $367,674,983 respectively.

N. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2012, 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	$ 515,376	$ 80,232	$ (111,667)	$ 483,941	$ 19,012
Issuance premiums	10,414	4,236	(1,514)	13,136	863
Total bonds payable	525,790	84,468	(113,181)	497,077	19,875
Obligations under capital leases	3,670	106	(2,608)	1,168	579
Compensated absences obligations	48,379	28,085	(29,704)	46,760	30,710
Total	$ 577,839	$ 112,659	$ (145,493)	545,005	51,164
Discretely presented component units of the NSHE:					
Long-term debt				579	539
Total				$ 545,584	$ 51,703

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

(Note 8 Continued)

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2012 (expressed in thousands):

Year Ending June 30	Principal	Interest
2013	$ 19,875	$ 23,089
2014	21,753	22,336
2015	21,605	21,445
2016	21,247	20,566
2017	28,929	19,409
2018-2022	102,503	81,274
2023-2027	93,325	58,584
2028-2032	92,392	36,115
2033-2037	79,096	13,079
2038-2042	16,352	1,641
Total	$ 497,077	$ 297,538

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
2013	$ 628
2014	266
2015	234
2016	128
2017	-
Total minimum lease payments	1,256
Less: amount representing interest	(88)
Obligations under capital leases	$ 1,168

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2012, 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	$ 92,800	$ 5,545	$ (22,675)	$ 75,670	$ 4,005
Issuance premiums	2,410	841	(631)	2,620	383
Unamortized refunding charges	(4,100)	(106)	887	(3,319)	(379)
Total bonds payable	91,110	6,280	(22,419)	74,971	4,009
Compensated absences obligations	298	268	(260)	306	194
Total	$ 91,408	$ 6,548	$ (22,679)	$ 75,277	$ 4,203

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

Year Ending June 30	Principal	Interest
2013	$ 4,005	$ 1,372
2014	4,230	1,151
2015	4,460	917
2016	4,705	671
2017	7,875	2,605
2018-2022	22,255	8,848
2023-2027	20,970	4,284
2028-2032	7,170	317
Total	$ 75,670	$ 20,165

Note 9 - Pensions and Other Employee Benefits

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

A. PERS

Plan Description - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost-sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. PERS provides a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. Any government employer in the State may elect to have its regular and police/fire employees covered by PERS. At June 30, 2012, there were 188 participating employers and other contributing entities.

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

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits and survivor benefits. Monthly benefit allowances for regular members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned after July 1, 2001, this multiplier is 2.67% of average compensation. However, for members entering the System on or after January 1, 2010, there is only a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

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

Contributions - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is provided by statute. New hires of the State of Nevada and public employers, who did not elect the employer-pay contribution plan prior to July 1, 1983, have the option of selecting either the employee/employer contribution plan or the employer-pay contribution plan. Under the employee/employer contribution plan, the employee and the employer each make matching contributions. Under the employer-pay contribution plan, the employer pays all contributions on the employee's behalf; however, the employee shares equally in the cost of the contribution rate either though salary reduction or in lieu of a promised pay increase.

Funding Policy - PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due. Although PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Legislature. These statutory rates are increased or decreased pursuant to NRS 286.421 and 286.450.

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2012 were as follows:

	Statutory Rate	
	Employer	Employees
Regular employees:		
Employer-pay plan	23.75%	na
Employee/employer plan (matching rate)	12.25%	12.25%
Police and Fire employees:		
Employer-pay plan	39.75%	na
Employee/employer plan (matching rate)	20.25%	20.25%

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

(Note 9 Continued)

	2012	2011	2010
Primary Government	$ 163,219	$ 160,959	$ 164,630
Component Units:			
Colorado River Commission	476	462	470
Nevada System of Higher Education	27,019	26,827	28,274
Total component units	27,495	27,289	28,744
Total reporting entity	$ 190,714	$ 188,248	$ 193,374
Contributions as % of covered payroll	19%	17%	17%
Percentage of pension costs contributed	100%	100%	100%

B. LRS

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

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

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

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

Contributions - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(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 $364,186 for fiscal years 2011 and 2012, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2011, of which $182,093 (half) was recognized as employer contributions in the fiscal year 2011, and the other half was recognized in fiscal year 2012. Employee contributions of $51,348 were received in fiscal year 2011, of which, $25,674 (half) was recorded as employee contributions in the fiscal year 2011, and the remaining $25,674 was recorded in fiscal year 2012.

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 June 30, 2012, actuarial valuation include the following:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Year-by-year closed, level dollar amount with each amortization period set at 20 years
Asset Valuation Method:	Five year smoothed market
Actuarial Assumptions:	
Investment rate of return	8%
Assumed inflation rate	3.5% per annum
Projected salary increases	None
Assumed Retirement Age for Active Members:	Earlier of age 63 with at least 10 years of service, or expiration of combined term limit (any age with 24 years of service after January 1, 1998).

(Continued on next page)

(Note 9 Continued)

(Continued from previous page)

Assumed Mortality Rate:	
Healthy	RP-2000 Combined Healthy Mortality Table, set forward one Year for females (no age set forward for males).
Disabled	RP-2000 Disabled Retired Mortality Table, set back three years for males and set forward eight years for females.
Assumed Post-Retirement Increases:	2.0% after 3 years of receiving benefits 3.0% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4.0% after 12 years of receiving benefits 5.0% after 14 years of receiving benefits * Cap based on CPI if benefits outpace inflation

*Does not apply to retirees who enter the LRS on or after January 1, 2010.

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

Actuarial Valuation Date*	For Fiscal Year Ended June 30	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
1/1/2009	2010	$ 201	$ 201	100%	$ -
7/1/2010	2011	182	182	100%	-
6/30/12	2012	182	182	100%	-

* Corrected from previous publications.

Funded Status and Funding Progress – As of June 30, 2012, the most recent actuarial valuation date, the LRS was 68% funded. The actuarial accrued liability for benefits was $5.6 million, and the actuarial value of assets was $3.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $ .3 million, and the ratio of the UAAL to the covered payroll was 582%.

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

C. JRS

Plan Description - The Judicial Retirement System of Nevada (JRS) is the administrator of an agent multiple-employer public employees defined benefit retirement system established in 2001 by the Nevada Legislature. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature under NRS 1A.160. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. As of June 30, 2012, the Supreme Court and ten municipalities in Nevada elected to participate in JRS. JRS issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports JRS as a pension trust fund. JRS financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

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

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

Option 2 – Previous Benefit Plan: Retiring members who were serving as a Supreme Court justice or district judge prior to November 5, 2002 may select the following benefit: Benefit payments are computed at 4.1666% for the first five years of service and 4.1666% for each additional year of service, up to

(Note 9 Continued)

a total maximum of 22 years, times the member's compensation for their last year of service.

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

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

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

Actuarial Information – Actuarial valuations of the JRS are prepared annually on a fiscal year basis. Significant actuarial assumptions used in the June 30, 2012 valuation include the following:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Year-by-year closed, level percent of pay (3% payroll growth assumed) over a declining amortization period of: 30 years for Supreme Court and District Judges 20 years for each non-state agency
Asset Valuation Method:	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return	8%
Assumed inflation rate	3.5% per annum
Assumed salary increases	1 to 4 years of service increase of 3% per year 5 years of service increase of 11% per year 6 to 12 years of service increase of 5% per year 13 or more years of service increase of 3% per year
Assumed retirement rates:	Retirement rates after completion of five years of service and attainment of the following ages:

Age	Rate per Age
60—64	35%
65—67	50%
68—69	75%
70	100%

Assumed Mortality Rate:	RP-2000 Male Combined Healthy Table RP-2000 Female Combined Healthy Table set forward one year
Assumed Post-Retirement Increases:	The lesser of (a) 2.0% after 3 years of receiving benefits 3.0% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4.0% after 12 years of receiving benefits 5.0% after 14 years of receiving benefits* (b) the average percentage increase in the Consumer Price Index (or other Board approved index) for the three Preceeding years

* Does not apply to retirees who enter the JRS on or after January 1, 2010.

Trend Information - Three-year trend information for the current fiscal year and each of the two preceding fiscal years follows (expressed in thousands):

(Note 9 Continued)

	2012	2011	2010
Annual required contribution	$ 5,407	$ 5,146	$ 5,043
Interest on net pension obligation	13	(1)	(40)
Adjustment to annual required contribution	(38)	2	116
Annual pension cost	5,382	5,147	5,119
State contribution made	(5,546)	(4,972)	(4,624)
Increase (decrease) in net pension obligation	(164)	175	495
Net pension obligation (asset) at beginning of year	165	(10)	(505)
Net pension obligation (asset) at end of year	$ 1	$ 165	$ (10)
Percentage of annual pension costs contributed	100%	97%	90%

Funded Status and Funding Progress – As of June 30, 2012, the most recent actuarial valuation date, the JRS was 69% funded. The actuarial accrued liability for benefits was $93.1 million, and the actuarial value of assets was $63.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $29.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $16.6 million, and the ratio of the UAAL to the covered payroll was 176%.

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

D. Other Postemployment Benefits

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

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

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

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

Contributions and Funding Policy - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2011 through June 30, 2012 the rate assessed was 2.134% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. Due to statewide revenue shortfalls, in February 2010, the 26th Special Session of the Nevada Legislature directed $24,700,000 be withdrawn from the Retirees' Benefits Investment Fund to be used to pay for retiree healthcare during the year ending June 30, 2011, thereby reducing the amount paid by state agencies to the Retirees' Fund. No additional investments or withdrawals from the Retirees' Benefits Investment Fund occurred during the years ending June 30, 2011 or June 30, 2012. For the year ended June 30, 2012, the State and its component units contributed $27,881,834 to the plan, which is 100% of the contractually required contribution. For the year ended June 30, 2011, the State and its component units contributed $9,649,348 to the plan, which is 100% of the contractually required contribution. For the year ended June 30, 2010, the State and its component units contributed $33,406,435 to the plan, which is 100% of the contractually required contribution.

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, 2010	$ 34,473	$ 45,163
Claims and changes in estimates	237,324	30,887
Claim payments	(237,948)	(15,421)
Balance June 30, 2011	33,849	60,629
Claims and changes in estimates	185,271	19,659
Claim payments	(176,132)	(16,539)
Balance June 30, 2012	$ 42,988	$ 63,749
Due Within One Year	$ 42,988	$ 20,133

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, 2012. 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 eleven public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, the State, the Nevada System of Higher Education and one hundred twenty-two 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. 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 and the unused portion of the Health Reimbursement Arrangement (HRA) liability. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Upon consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

B. Insurance Premiums Fund

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

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy for workers' compensation. For the year ended June 30, 2012, the loss retention for this policy was $1,500,000. Effective January 1, 2001, NSHE and PERS were excluded from cover-

(Note 10 Continued)

age under this policy. Liabilities in the amount of $51,885,784 as of June 30, 2012 were determined using standard actuarial techniques as estimates for the case, reserves, incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2012.

The Fund is financed by the State. The State has a maximum exposure of $50,000 through October 1, 2007 and $75,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. The State statutory tort recovery limit increased to $100,000 effective October 1, 2011. Per State statute, if, as the result of future general liability or catastrophic losses, fund resources are exhausted, coverage is first provided by the reserve for statutory contingency account and would then revert to the General Fund.

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

At June 30, 2012, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. The liability for estimated losses from reported and unreported claims in excess of the amounts paid for the workers' compensation policies is determined using standard actuarial techniques, which take into account claims history and loss development factors for similar entities. This liability is further adjusted for a non-working escrow deposit on-hand with the insurer which is restricted for use as collateral against future losses and a loss fund on-hand with the insurer that is restricted for payment of claims. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of post retirement heart disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the five-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart disease. A range of estimated losses from $12,022,000 to $47,039,100 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, 2012 total liabilities exceeded total assets by $48,323,178. The Fund is liable for approximately $48,000,000 as of June 30, 2012 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 11 - Fund Balances and Net Assets

A. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports $1,238,484,128 of restricted net assets for the primary government of which $126,511,510 is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the State is bound to observe constraints imposed on the use of the resources of the fund. A summary of governmental fund balances at June 30, 2012, is shown below (expressed in thousands):

(Note 11 Continued)

	Major Governmental Funds						
	General	State Highway	Municipal Bond Bank	Consolidated Bond Interest and Redemption	Permanent School	Nonmajor Governmental Funds	Total Governmental
Fund balances:							
Nonspendable:							
Municipal securities	$ -	$ -	$ 286,166	$ -	$ -	$ -	$ 286,166
Long term notes/loans receivable	11,558	-	-	-	-	-	11,558
Inventory	2,387	14,778	-	-	-	438	17,603
Advances	6,399	-	-	-	-	-	6,399
Prepaid items	3,456	21	-	-	-	10	3,487
Permanent fund principal	-	-	-	-	313,054	230	313,284
Restricted for:							
General government	348	-	-	-	-	-	348
Health and social services	2,349	-	-	-	-	13,200	15,549
Education and support services	365	-	-	-	-	1,973	2,338
Law, justice, and public safety	115	-	-	-	-	7,010	7,125
Regulation of business	5,071	-	-	-	-	4,487	9,558
Transportation	-	139,259	-	-	-	-	139,259
Recreation and resource development	52,801	-	-	-	-	27,731	80,532
Debt service	-	-	-	-	-	33,347	33,347
Capital projects	-	-	-	-	-	49,660	49,660
Committed to:							
General government	48,763	-	-	-	-	-	48,763
Health and social services	27,641	-	-	-	-	34,444	62,085
Education and support services	2,401	-	-	-	-	10,576	12,977
Law, justice, and public safety	21,006	-	-	-	-	2,906	23,912
Regulation of business	36,487	-	-	-	-	4,550	41,037
Recreation and resource development	60,717	-	-	-	-	5,041	65,758
Debt service	-	-	-	146,806	-	7,425	154,231
Capital projects	-	-	-	-	-	562	562
Fiscal emergency	84,737	-	-	-	-	-	84,737
Unassigned:	(96,272)	-	-	-	-	-	(96,272)
Total fund balances	$ 270,329	$ 154,058	$ 286,166	$ 146,806	$ 313,054	$ 203,590	$ 1,374,003

C. Individual Fund Deficit

Nonmajor Enterprise Fund:

Nevada Magazine - The Nevada Magazine Fund accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows an increase in net assets of $85,386 for the fiscal year ended June 30, 2012, resulting in net liabilities (negative net assets) of $20,417 at June 30, 2012.

Internal Service Fund:

Insurance Premiums - The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded a decrease in net assets of $8,412,627 for the year ended June 30, 2012, resulting in net liabilities (negative net assets) of $48,323,178 at June 30, 2012.

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 6.85%, 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 different rates for businesses and financial institutions. If the sum of all the wages paid by the employer exceeds $62,500 for the calendar quarter, the tax is 1.17% of the amounts the wages exceed $62,500. Modified Business Tax is imposed on financial institutions at 2% 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.

(Note 12 Continued)

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, Jet Fuel, Liquor Tax, Live Entertainment Tax (non-gaming establishments), Lodging Tax, Business License Fees, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Property Tax, Real Property Transfer Tax, Short-Term Lessor Fees and Tire Tax.

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

Percentage Fees are the largest of several State levies on gaming. They are based upon gross revenue and are collected monthly. The fee is applied on a graduated basis at the following monthly rates: 3.5% of the first $50,000 of gross revenue; 4.5% of the next $84,000 of gross revenue; and 6.75% of the gross revenue in excess of $134,000.

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

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

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

Note 13 - Works of Art and Historical Treasures

The State possesses certain works of art, historical treasures, and similar assets that are not included in the capital assets shown in Note 7. The mission of the Lost City Museum in Overton is to study, preserve, and protect prehistoric Pueblo sites found in the Moapa Valley and adjacent areas and to interpret these sites through exhibits and public programs. In Reno, the Nevada Historical Society exhibits and maintains a large number of historical collections preserving the cultural heritage of Nevada. These collections are divided into four sections: library, manuscripts, photography, and museum. The Nevada State Museum in Carson City collects, preserves, and documents three general types of collections: anthropology, history, and natural history as it relates to Nevada and the Great Basin. The mission of the Nevada State Museum, Las Vegas, is to inspire and educate a diverse public about the history and natural history of Nevada. Its major collections include transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, business records, and photography. The Nevada State Railroad Museum, which is located in Carson City, preserves the rich railroad heritage of Nevada, including locomotives and cars of the famous Virginia & Truckee Railroad. The East Ely Depot Museum, located in the historic Nevada Northern Railroad Depot building, exhibits artifacts, documents, and photographs of early Eastern Nevada mining and railroad transportation. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork. Its mission is to enrich the cultural life of the State and make excellence in the arts accessible to all Nevadans.

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

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

Note 14 - Commitments and Contingencies

A. Primary Government

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

Several of the actions pending against the State are based upon the State's (or its agents') alleged negligence in which the State must be named as a party defendant. However, there is a statutory limit to the State's liability of $50,000 per cause of action through October 1, 2007 and $75,000 per cause of action thereafter. Such limitation does not apply to federal actions such as civil rights actions under 42 U.S.C. Section 1983 brought under federal law or to actions in other states. Effective October 1, 2011 the statutory tort recovery limit increased to $100,000. 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.

In litigation filed against the Department of Taxation (DOT), the plaintiff is seeking a declaration that the Live Entertainment Tax is unconstitutional on its face and that they do not have to pay the tax. The Live Entertainment Tax is collected by the DOT as well as the Gaming Control Board. The Gaming Control Board's collection of the Live Entertainment Tax has not been challenged. Should a refund be granted, the estimated amount to date is $86.9 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

The Department of Taxation (DOT) is involved in a nationwide arbitration involving 46 states and 6 territories against the nation's largest tobacco manufacturers. The arbitration is over the Master Settlement Agreement (MSA) from 1998. The DOT is contesting this case vigorously through the arbitration process while at the same time exploring settlement. The State receives an annual payment under the MSA. For fiscal year 2012 the amount received was $40.3 million.

The Department of Taxation is litigating vigorously two law suits of like nature against utility companies. The suits arise out of claims for the refund of use tax paid on coal purchased out of the state and used in Nevada. The companies claim the use tax is unconstitutional. One case is before the 2nd Judicial District Court on a petition for judicial review. The other is proceeding as a trial de novo in the 1st Judicial District Court. There may be a thirty five percent likelihood of an unfavorable State outcome for both cases totaling $143 million.

The State instituted a claim for declaratory relief relating to its actions in 2008 in terminating a forward delivery investment agreement between it and Lehman Brothers Commercial Bank, a Utah industrial bank ("LBCB"). When the State entered into the forward delivery investment agreement in June of 2002, it received a fee of $20.5 million in exchange for agreeing to purchase certain specified US treasury securities of various maturities and principal amounts from LBCB at different times between June 30, 2002 and May 15, 2028. The State was required to purchase the securities at their matured values, or par value if discount securities were purchased. LBCB would realize revenue at the time of delivery to the custodian. In January of 2009, LBCB (now known as Woodlands Commercial Bank) filed an answer to the State's declaratory judgement action and a counterclaim requesting a judgement in favor of LBCB in the declaratory relief claim, and seeking other relief, including an award of damages against the State. Non-binding mediation is scheduled for January 2013. While the State believes it has a meritorious claim for declaratory relief and meritorious defenses to LBCB's counterclaim, the State cannot at this time predict the outcome of this action.

The Nevada Department of Transportation (NDOT) in a direct condemnation case is taking a portion of a casino's property for the Boulder City Bypass Project. The other party contends that the new highway interchange will destroy access to their casino. NDOT made an initial deposit of $2 million and now, the parties are in the discovery phase. There is a reasonable possibility of an unfavorable outcome for NDOT in the amount of $12 million, before federal participation.

The Nevada Department of Transportation (NDOT) in a direct condemnation case is taking a one acre parcel for the I-15 road improvement project known as Project NEON, in Las Vegas. The landowner claims that NDOT's valuation of the property is too low. NDOT made an initial deposit of $5.5 million. A motion for occupancy is set for December 21, 2012. There is a reasonable possibility of an unfavorable outcome for NDOT in the amount of $10.8 million, before federal participation.

Unemployment Compensation – Management of the Unemployment Compensation Fund has become aware of the possibility that payments to some recipients may have been incorrectly calculated, resulting in either an overpayment or underpayment. The amount of additional liability, if any, to the State cannot be reasonably estimated at the present time.

PERS - The Public Employees' Retirement System (PERS) has entered into investment funding commitments related to private markets to fund an additional $674.7 million at some future date.

(Note 14 Continued)

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, 2012 amounted to $35.1 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, 2012 (expressed in thousands):

For the Year Ending June 30	Amount
2013	$ 25,441
2014	19,374
2015	16,186
2016	10,626
2017	6,691
2018-2022	8,492
2023-2027	4,704
2028-2032	527
Total	$ 92,041

Construction Commitments – As of June 30, 2012, the Nevada Department of Transportation had total contractual commitments of approximately $151.2 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total $57.8 million.

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, 2012, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date. The present value of the rebatable arbitrage is $798,758 and has been recorded as a liability in the Statement of Net Assets at June 30, 2012. Future calculations might result in different rebatable arbitrage amounts.

Encumbrances – As of June 30, 2012, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	Amount
General Fund	$ 4,428
State Highway	4,851
Nonmajor governmental funds	445
Total	$ 9,724

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2012, 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.

The NSHE has an actuarial study of its workers' compensation losses completed every other year. The study addresses the reserves necessary to pay open claims from prior years and projects the rates needed for the coming year. The NSHE uses a third party administrator to adjust its workers' compensation claims.

The NSHE is self-insured for its unemployment liability. The NSHE is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the NSHE budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2012.

The estimated cost to complete property authorized or under construction at June 30, 2012 is $27.2 million. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

During the year, NSHE, University of Nevada's Reno (UNR) campus sold the Fire Science Academy in Carlin, Nevada. As part of the lease agreement executed at the time of sale, upon termination of said lease, UNR is obligated to remove any and all above ground props from the prop field, and assess for and remediate any contamination in accordance with provisions promulgated in Nevada Revised Statutes and Administrative Code (NAC) 445A. The notice of lease termination was executed by the Chancellor on June 30, 2012. The estimated obligation includes all the anticipated costs to close out the Fire

(Note 14 Continued)

Science Program, including disposition of assets, demolition of the prop field and related fire water supply and treatment systems, assessing for environmental contamination, and remediation of such contamination, if found. The estimated obligation amounts were developed by the Senior Director for Facilities Maintenance Services in coordination with outside consultants. An obligation amount of $4.1 million has been included in accounts payable.

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

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

Note 15 - Subsequent Events

A. Primary Government

Bonds – After June 30, 2012 the State resolved to execute purchase agreements for the following bonds, which are scheduled for sale on January 29, 2013: $26,000,000 General Obligation (Limited Tax) Municipal Bond Bank Refunding Bonds, Project Nos. MBB84 (SNWA) MBB85 (Moapa) and MBB86 (Wells) Series 2013A (not subject to the Constitutional Debt Limit); $23,000,000 General Obligation (Limited Tax) Water Pollution Control Revolving Fund Leveraged Refunding Bonds, Series 2013B (not subject to the Constitutional Debt Limit); $3,000,000 General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Refunding Bonds, Series 2013C, (not subject to the Constitutional Debt Limit).

Litigation – In December 2012, the State settled litigation with Clark County over a claim for the refund of certain ad valorem taxes paid to the State. The County originally demanded $103 million repayment for revenue swept during the 2009 and 2011 Legislative Sessions. Part of the settlement amends an interlocal agreement by reducing the contract percentage rate that Clark County pays to the State Medicaid program. The rate reduction eliminates $16.4 million the County would otherwise owe the State for fiscal years 2010 and 2011. Another part of the agreement provides the Nevada Department of Transportation to obligate $35 million for Phase II of Clark County's McCarran Airport Connector Project, which is subject to certain conditions including, eligibility for federal funding.

State Highway Fund – The Nevada Department of Transportation (NDOT) and Washoe County, Nevada agreed to a compromise over the refund of certain ad valorem taxes collect by the State. Significant parts of this agreement involved refunding to Washoe County $1.25 million which was accrued in fiscal year 2012, and to commit to funding major maintenance projects in Washoe County. NDOT agreed to provide funding in an amount not to exceed $6 million for the projects. Approximately $3 million is committed for such projects in each of the calendar years of 2013 and 2014.

The State and NDOT arbitrated a 3,015.94 acre feet water rights condemnation case related to the construction of the I-580 freeway from Reno to Carson City. In October 2012, the arbitration award of $14.1 million was paid. This amount was accrued in fiscal year 2012.

The State and NDOT settled an eminent domain action over 2.85 acres for the I-15 road improvement project known as Project NEON, in Las Vegas. The total settlement was for $10.6 million. Prior to settlement in May 2012, NDOT deposited with the Clerk of the Court $4.7 million. Upon settlement, NDOT paid the remaining balance in November 2012 for $5.9 million. This amount was accrued in fiscal year 2012.

Advances from the Federal Unemployment Account – The State drew repayable advances of $148.1 million and made voluntary repayments of $221.2 million between July 1, 2012 and December 6, 2012. The State has applied for and may still draw up to $51.7 million to meet State unemployment insurance obligations through December 31, 2012. Thereafter loan requests may be submitted every 90 days.

B. Discretely Presented Component Units

Nevada System of Higher Education – On August 7, 2012, NSHE issued a promissory note in the amount of $6.25 million to be paid in fiscal years 2013 through 2017. On August 20, 2012, NSHE prepaid $10 million of its University Revenue Bonds, Series 2002A with funds received from the sale of its Fire Science Academy located in Carlin, NV. The final payment on the 2002A bonds will occur in fiscal year 2025.

At the September 2012 Board of Regents meeting, the Board approved the defeasance of up to $3.9 million of its Universities Revenue Bonds, Series 2004B from funds held by Clark County on behalf of the NSHE. The defeasance of these bonds is expected to occur prior to December 31, 2012.

Colorado River Commission – In July 2012, the Colorado River Commission sold the $17 million Series 2012E Hoover Uprating Refunding bonds. Proceeds from these bonds were used to advance refund the Series 2002 bonds. The bonds mature annually beginning on October 1, 2013 through 2016, with interest payable semi-annually on April 1 and October 1 at the annual rate of 4 to 5%.

Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	**Final Budget**	**Actual**	**Variance with Final Budget**
Sources of Financial Resources				
Fund balances, July 1	$ 673,027,491	$ 673,027,491	$ 673,027,491	$ -
Prior period adjustment	(10,003,304)	(10,003,304)	(10,003,304)	-
Revenues:				
Sales taxes	833,226,820	833,226,820	875,596,070	42,369,250
Gaming taxes, fees, licenses	828,698,354	828,698,354	827,297,201	(1,401,153)
Intergovernmental	1,988,144,417	2,386,254,663	1,970,456,765	(415,797,898)
Other taxes	1,269,182,593	1,284,342,269	1,326,036,701	41,694,432
Sales, charges for services	168,581,570	175,937,734	163,065,533	(12,872,201)
Licenses, fees and permits	531,458,678	569,174,620	543,809,959	(25,364,661)
Interest	10,454,219	11,898,357	1,369,321	(10,529,036)
Other	288,147,314	368,642,952	307,250,003	(61,392,949)
Other financing sources:				
Proceeds from sale of bonds	-	490,000	490,000	-
Transfers	556,440,030	657,274,876	630,788,753	(26,486,123)
Reversions from other funds	-	-	1,597,527	1,597,527
Total sources	7,137,358,182	7,778,964,832	7,310,782,020	(468,182,812)
Uses of Financial Resources				
Expenditures and encumbrances:				
Elected officials	126,475,475	167,086,710	128,325,105	38,761,605
Legislative and judicial	112,629,276	112,428,820	80,986,410	31,442,410
Finance and administration	76,615,218	81,702,345	59,388,615	22,313,730
Education	2,588,362,726	2,821,180,013	2,652,893,434	168,286,579
Human services	3,094,355,565	3,262,232,190	2,983,061,003	279,171,187
Commerce and industry	166,174,883	207,192,453	117,883,438	89,309,015
Public safety	396,914,900	467,598,865	389,770,611	77,828,254
Infrastructure	283,885,274	340,534,599	157,808,338	182,726,261
Special purpose agencies	36,912,123	41,678,311	33,336,589	8,341,722
Other financing uses:				
Transfers to other funds	30,234,081	30,234,081	30,234,081	-
Reversions to other funds	-	-	1,025,451	(1,025,451)
Projected reversions	(37,500,000)	(37,500,000)	-	(37,500,000)
Total uses	6,875,059,521	7,494,368,387	6,634,713,075	859,655,312
Fund balances, June 30	$ 262,298,661	$ 284,596,445	$ 676,068,945	$ 391,472,500

NEVADA

State Highway Fund				Municipal Bond Bank			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ 275,621,187	$ 275,621,187	$ 275,621,187	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
237,585,219	543,584,042	526,274,296	(17,309,746)	-	-	-	-
288,657,796	277,717,099	277,925,519	208,420	-	-	-	-
22,720,499	32,121,744	15,899,800	(16,221,944)	-	-	-	-
166,228,216	179,137,625	181,454,767	2,317,142	-	-	-	-
3,511,032	1,617,852	353,776	(1,264,076)	28,889,531	28,889,531	16,206,807	(12,682,724)
34,598,014	36,711,758	28,651,340	(8,060,418)	-	-	-	-
-	-	-	-	-	-	-	-
6,177,578	13,838,745	12,400,748	(1,437,997)	-	-	-	-
-	-	-	-	-	-	-	-
1,035,099,541	1,360,350,052	1,318,581,433	(41,768,619)	28,889,531	28,889,531	16,206,807	(12,682,724)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
180,283,866	196,439,938	174,598,289	21,841,649	-	-	-	-
608,209,048	991,673,148	924,955,711	66,717,437	-	-	-	-
-	-	-	-	-	-	-	-
84,415,581	85,016,512	85,016,512	-	28,889,531	28,889,531	16,204,180	12,685,351
-	-	13,238	(13,238)	-	-	-	-
-	-	-	-	-	-	-	-
872,908,495	1,273,129,598	1,184,583,750	88,545,848	28,889,531	28,889,531	16,204,180	12,685,351
$ 162,191,046	$ 87,220,454	$ 133,997,683	$46,777,229	$ -	$ -	$ 2,627	$ 2,627

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 August 23 are reported instead of the amounts disclosed in the original budget. The August 23, 2012 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, 2012 budget as permitted by NRS 353.220.

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

	General Fund	State Highway	Municipal Bond Bank
Fund balances (budgetary basis) June 30, 2012	$ 676,069	$ 133,998	$ 3
Adjustments:			
Basis differences:			
Petty cash or outside bank accounts	7,673	167	-
Investments not recorded on the budgetary basis	9,419	-	286,235
Accrual of certain other receivables	151,039	4,288	2
Inventory	2,387	14,778	-
Advances to other funds	7,108	-	-
Accrual of certain accounts payable and other liabilities	(303,826)	-	-
Deferred revenues	(275,920)	-	-
Encumbrances	4,428	4,851	-
Other	(18,486)	(4,024)	(74)
Perspective differences:			
Special revenue fund reclassified to General Fund for GAAP purposes	10,438	-	-
Fund balances (GAAP basis) June 30, 2012	$ 270,329	$ 154,058	$ 286,166

Total fund balance on the budgetary basis in the General Fund at June 30, 2012, 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)	$ 676,069
Restricted funds	(347,599)
Unrestricted fund balance (budgetary basis)	$ 328,470

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. During fiscal year 2009, the Plan changed the actuarial valuation date from a calendar year to a fiscal year to be consistent with the financial statements. A schedule of funding progress follows (expressed in thousands):

Actuarial Valuation Date	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
01/01/09	$ 5,955	$ 4,229	$ 1,726	71%	$ 351	492%
07/01/10	5,608	4,134	1,474	74%	359	411%
06/30/12	5,578	3,806	1,772	68%	304	582%

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.

LRS issues a stand-alone financial report which may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Judicial Retirement System (JRS)

Schedule of Funding Progress – Prior to fiscal year 2010, the Annual Required Contribution (ARC) was based on a calendar year valuation. The ARC was calculated using two calendar year actuarial valuations to arrive at a required contribution amount for the fiscal year contributions. Beginning with fiscal year 2010 the ARC is based on a fiscal year valuation consistent with the financial statements. The most recent actuarial valuation, dated June 30, 2012, is based on June 30, 2012 census data. A schedule of funding progress follows (expressed in thousands):

Actuarial Valuation Date	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
7/01/10	$ 80,447	$ 47,281	$ 33,166	59%	$ 15,315	217%
6/30/11	88,035	56,614	31,421	64%	16,465	191%
6/30/12	93,133	63,934	29,199	69%	16,635	176%

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.

JRS issues a stand-alone financial report which may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

The State has adopted the modified approach for reporting infrastructure assets defined as a single roadway network that includes bridges. Bridges are not considered a subsystem as they are included in the cost of road construction. Under this approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of approximately 5,400 centerline miles of roads and approximately 1,100 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. 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 most recent condition assessment shows a decline in the condition level of the roadways. Management is aware of the decline and will continue to monitor the results of future condition assessments. However, the results of the three most recent condition assessments provide reasonable assurance that the condition level of the roadways is being preserved above the condition level established. 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 the State's policy and the condition level of the roadways and bridges. The State is reporting the information for structurally deficient and functionally obsolete bridges that are State owned. Previously reported information for 2009 included bridges that were not owned by the State, and has been restated.

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 2011 condition assessment	56%	79%	67%	30%	9%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%

Condition Level of the Bridges

Percentage of substandard bridges

	2011	2009	2007
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	4%	5%	4%

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)

	2012	2011	2010	2009	2008
Estimated	$ 322,210	$ 490,910	$ 181,054	$ 124,926	$ 155,051
Actual	304,333	404,871	151,448	121,798	146,507

Maintenance and preservation costs are primarily funded with highway user revenue, 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.
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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2012, which collectively comprise the State of Nevada's basic financial statements and have issued our report thereon dated December 14, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Nevada System of Higher Education and the Colorado River Commission, discretely presented component units; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, the Retirement Benefits Investment Fund, and the Division of Museums and History Dedicated Trust Fund as described in our report on the State of Nevada'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 Division of the Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Trust Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the State of Nevada is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Nevada's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-1, 12-2 and 12-3 to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Nevada'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*.

The State of Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the State of Nevada's responses and, accordingly, we express no opinion on them.

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

Kafoury, Armstrong & Co.

Reno, Nevada
December 14, 2012

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

Independent Auditor's Report on Compliance with Requirements
that Could Have a Direct and Material Effect on 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 State of Nevada's (the State's) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the State's major Federal programs for the year ended June 30, 2012. The State's major Federal programs are identified in the summary of auditor's 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 14, 2012, portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

The State of Nevada's basic financial statements include the operations of the Nevada System of Higher Education, a discretely presented component unit, which received $289,175,106 in federal awards which is not included in the State's Schedule of Expenditures of Federal Awards for the year ended June 30, 2012. Our audit, as described below, did not include the operations of the Nevada System of Higher Education because the Nevada System of Higher Education engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 audit does not provide a legal determination of the State's compliance with those requirements.

As described in Finding 12-16 in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding Allowable Costs that are applicable to its Foster Care and Adoption Assistance programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 12-4 through 12-15, 12-17 through 12-23 and 12-25 through 12-34.

Internal Control over Compliance

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 12-16 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-4 through 12-15 and 12-17 through 12-34 to be significant deficiencies.

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

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

Kafoury, Armstrong & Co.

Reno, Nevada
March 18, 2013

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Department of the Interior				
Research and Development CLUSTER				
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	$ 75,000	$ 75,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2008	30,377	30,377
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	69,140	18,688
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2010	278,977	274,594
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2011	35,433	-
Total Research and Development CLUSTER			**488,927**	**398,659**
Total Department of the Interior			**488,927**	**398,659**
Department of Transportation				
Research and Development CLUSTER				
Highway Planning and Construction - Research and Development	20.205R	SFY12	526,561	-
State Planning and Research	20.515	NV-80-X013-00	4,567	4,567
State Planning and Research	20.515	NV-80-X014-00	34,231	34,231
State Planning and Research	20.515	NV-80-X015-00	274,790	274,790
State Planning and Research	20.515	NV-80-X016-00	717,787	717,787
			1,031,375	**1,031,375**
Total Research and Development CLUSTER			**1,557,936**	**1,031,375**
Total Department of Transportation			**1,557,936**	**1,031,375**
Environmental Protection Agency				
Research and Development CLUSTER				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-98962701-7	17,000	-
Regional Wetland Program Development Grants	66.461	CD-00T73101-0	41,743	-
Total Research and Development CLUSTER			**58,743**	**-**
Total Environmental Protection Agency			**58,743**	**-**
Department of Education				
Research and Development CLUSTER				
Statewide Data Systems	84.372	R372A070010	667,348	-
Total Research and Development CLUSTER			**667,348**	**-**
Total Department of Education			**667,348**	**-**

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Department of Health and Human Services				
Research and Development CLUSTER				
Primary Care Services_Resource Coordination and Development	93.130	5 U68HP11441-04-00	$ 67,343	$ -
Primary Care Services_Resource Coordination and Development	93.130	6 U68HP11441-03-02	160,417	-
			227,760	**-**
Injury Prevention and Control Research and State and Community Based Programs	93.136	3U17CE924825-05W1	20,696	20,000
Injury Prevention and Control Research and State and Community Based Programs	93.136	5VF1CE001137-05	146,526	74,982
			167,222	**94,982**
Child Support Enforcement Research	93.564	90FD013602	10,654	10,654
Child Support Enforcement Research	93.564	90FD013603	15,617	15,617
			26,271	**26,271**
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020199-19-01	274,479	7,725
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020199-20-01	84,735	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1XOCMS330782-01	14,362	8,344
			373,576	**16,069**
Total Research and Development CLUSTER			**794,829**	**137,322**
Total Department of Health and Human Services			**794,829**	**137,322**
Grand Total Research and Development CLUSTER			**3,567,783**	**1,567,356**
Department of Agriculture				
Child Nutrition CLUSTER				
School Breakfast Program	10.553	7NV300NV3	21,221,930	21,221,930
National School Lunch Program	10.555	7NV300NV3	82,803,193	82,803,193
National School Lunch Program	10.555	SFY12/X/994	8,540,322	8,520,050
			91,343,515	**91,323,243**
Special Milk Program for Children	10.556	7NV300NV3	132,243	132,243
Summer Food Service Program for Children	10.559	7NV300NV3	1,330,598	1,257,014
Summer Food Service Program for Children	10.559	SFY12/X/994	2,482	2,482
			1,333,080	**1,259,496**
Total Child Nutrition CLUSTER			**114,030,768**	**113,936,912**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Emergency Food Assistance CLUSTER				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	$ 495,619	$ 253,817
Emergency Food Assistance Program (Food Commodities)	10.569	SFY12/X/994	3,770,828	3,763,388
ARRA - Emergency Food Assistance Program (Food Commodities)	10.569A	SFY12/X/994	5,356	5,356
			3,776,184	**3,768,744**
Total Emergency Food Assistance CLUSTER			**4,271,803**	**4,022,561**
SNAP CLUSTER				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SFY 2012	522,338,967	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV5	398,735	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV5	808,768	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV7	6,884	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	SFY 2011	5,933,712	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	SFY 2012	11,815,895	-
			18,963,994	**-**
Total SNAP CLUSTER			**541,302,961**	**-**
Schools and Roads CLUSTER				
Schools and Roads_Grants to States	10.665	SFY 12	4,534,786	4,534,786
Total Schools and Roads CLUSTER			**4,534,786**	**4,534,786**
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	75,066	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-1085-CA	219,315	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-1153-CA	35,806	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1716-CA	2,079	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1721-CA	23,828	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-2035-CA	5,671	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-2068-CA	428	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-8576-0016-CA	26,143	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-8576-0526-CA	12,672	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-8576-0596-CA	34,876	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-8576-1449-CA	26,892	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-9732-1541-CA	9,810	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-9732-1721-CA	13,146	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-9732-1951-CA	14,953	-

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2012

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	11-9732-2035-CA	$ 18,746	$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-9732-4155-CA	7,997	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-9732-2136-CA	628	-
			528,056	**-**
Avian Influenza Indemnity Program	10.029	10-7100-0156-CA	21,801	-
Market Protection and Promotion	10.163	12-25-A-5284	4,885	-
Market Protection and Promotion	10.163	12-25-A-5322	3,099	-
Market Protection and Promotion	10.163	12-25-A-5356	5,196	-
Market Protection and Promotion	10.163	12-25-A-5565	9,267	-
			22,447	**-**
Specialty Crop Block Grant Program	10.169	12-25-B-0873	48,525	16,243
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0801	37,352	31,816
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0936	87,294	25,874
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1081	78,771	36,803
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1241	30,720	30,692
			234,137	**125,185**
Organic Certification Cost Share Programs	10.171	12-25-A-5284	6,778	-
Organic Certification Cost Share Programs	10.171	12-25-A-5510	2,811	-
			9,589	**-**
Homeland Security_Agricultural	10.304	07-002558-07	33,359	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1	672,377	622,981
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	47,943,466	10,349,654
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	WIC PROGRAM INCOME	7,199	-
			48,623,042	**10,972,635**
Child and Adult Care Food Program	10.558	7NV300NV4	6,470,113	6,470,113
Child and Adult Care Food Program	10.558	SFY12/X/994	68,897	68,897
			6,539,010	**6,539,010**
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	1,171,069	1,008,659
Commodity Supplemental Food Program	10.565	7NV810NV1	474,378	416,356
Commodity Supplemental Food Program	10.565	SFY12/X/994	1,749,290	1,749,290
			2,223,668	**2,165,646**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	$ 244,229	$ -
Food Distribution Program on Indian Reservations	10.567	SFY12/X/994	283,184	-
			527,413	**-**
Senior Farmers Market Nutrition Program	10.576	7NV810NV2	156,446	139,771
ARRA - WIC Grants to States	10.578A	WIEB-09-NV-01	170,938	-
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV2	192,130	-
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310001	97,216	24,938
			289,346	**24,938**
Fresh Fruit and Vegetable Program	10.582	7NV310NV1	1,766,555	1,766,555
Cooperative Forestry Assistance	10.664	07-DG-1104600-616	28,331	-
Cooperative Forestry Assistance	10.664	07-DG-11046000-604	261,921	73,834
Cooperative Forestry Assistance	10.664	08-DG-11046000-612	70,339	6,855
Cooperative Forestry Assistance	10.664	08-DG-11046000-618	28,365	-
Cooperative Forestry Assistance	10.664	09-DG-11046000-601	957,363	11,206
Cooperative Forestry Assistance	10.664	09-DG-11046000-604	11,314	9,357
Cooperative Forestry Assistance	10.664	09-DG-11046000-608	34,167	15,000
Cooperative Forestry Assistance	10.664	10-DG-11046000-631	87,344	-
Cooperative Forestry Assistance	10.664	11-DG-11046000-607	969,689	-
Cooperative Forestry Assistance	10.664	11-DG-11046000-614	44,006	4,899
Cooperative Forestry Assistance	10.664	11-FI-11041730-010	85,664	-
Cooperative Forestry Assistance	10.664	12-DG-11046000-610	33	-
Cooperative Forestry Assistance	10.664	12-FI-11041730-033	35,324	-
			2,613,860	**121,151**
Forest Legacy Program	10.676	07-DG-11046000-607	236	-
Forest Legacy Program	10.676	10-DG-10046000-601	6,427	-
Forest Legacy Program	10.676	11-DG-10046000-624	10,385	-
			17,048	**-**
Forest Health Protection	10.680	09-DG-1104600000-613	28,310	23,555
Forest Health Protection	10.680	10-DG-11046000-617	10,333	9,833
Forest Health Protection	10.680	11-DG-11046000-603	3,451	2,601
			42,094	**35,989**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-014	$ 103,671	$ -
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-025	1,393,628	1,375,564
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-026	1,452,933	1,258,307
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-027	115,980	115,045
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-030	157,148	156,401
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-032	170,887	39,826
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	10-DG-110482B1-024	109,079	17,412
			3,503,326	**2,962,555**
Lake Tahoe Erosion Control Grant Program	10.690	NDSL Section 108	126,288	-
Total Department of Agriculture			**732,808,335**	**148,372,596**
Department of Commerce				
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0015	3,369,749	3,033,305
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557A	32-41-B10528	159,521	145,969
Total Department of Commerce			**3,529,270**	**3,179,274**
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-08-2-0824	29,690	-
Procurement Technical Assistance for Business Firms	12.002	SP4800-11-2-1124	270,193	-
			299,883	**-**
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W912DY-10-2-0230	352,861	-
Military Construction, National Guard	12.400	W9124X-08-2-2001	1,442,301	-
Military Construction, National Guard	12.400	W9124X-09-2-2001	8,789,265	-
Military Construction, National Guard	12.400	W9124X-09-2-2004	2,875	-
Military Construction, National Guard	12.400	W9124X-10-2-2001	221,153	-
Military Construction, National Guard	12.400	W9124X-10-2-2003	148,560	-
Military Construction, National Guard	12.400	W9124X-11-2-2001	3,755,914	-
			14,360,068	**-**
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NNNN)	218,696	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY11	1,988,580	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY12	2,867,079	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1002 FFY11	184,657	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1002 FFY12	313,033	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1003 FFY11	$ 680,272	$ -
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1003 FFY12	1,633,163	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1004 FFY11	52,025	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1004 FFY12	147,655	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1005 FFY11	349,506	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1005 FFY12	501,495	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1010 FFY11	30,519	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1010 FFY12	74,664	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1021 FFY11	289,757	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1021 FFY12	768,274	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1023 FFY11	141,859	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1023 FFY12	385,250	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1024 FFY11	378,372	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1024 FFY12	1,175,624	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1040 FFY11	51,018	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1040 FFY12	4,149	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1041 FFY11	12,900	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1041 FFY12	25,800	-
			12,274,347	**-**
Community Economic Adjustment Planning Assistance for Joint Land Use Studies	12.610	EN0815-09-01	10,457	-
Total Department of Defense			**27,297,616**	**-**
Department of Housing and Urban Development				
CDBG - Entitlement Grants CLUSTER				
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253A	B-09-DY-32-0001	51,353	50,165
Total CDBG - Entitlement Grants CLUSTER			**51,353**	**50,165**
CDBG_State Administered CDBG CLUSTER				
Community Development Block Grants/State's Program	14.228	B-08-MN-32-0001	362,639	360,459
Community Development Block Grants/State's Program	14.228	B-10-DC-32-0001	2,268,619	2,096,816
Community Development Block Grants/State's Program	14.228	B-11-DC-32-0001	56,207	49,583
Community Development Block Grants/State's Program	14.228	B-11-DN-32-0001	1,361,190	1,348,625
			4,048,655	**3,855,483**
Total CDBG_State Administered CDBG CLUSTER			**4,048,655**	**3,855,483**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Emergency Shelter Grants Program	14.231	E-11-DC-32-0001	$ 213,268	$ 212,445
Emergency Shelter Grants Program	14.231	S-10-DC-32-0001	79,641	79,558
			292,909	**292,003**
Shelter Plus Care	14.238	NV0018C9T011003	311,878	-
Shelter Plus Care	14.238	NV0023C9T021003	196,527	-
Shelter Plus Care	14.238	NV0032C9T011002	34,856	-
			543,261	**-**
HOME Investment Partnerships Program	14.239	M06-SG320100	15,585	10,000
HOME Investment Partnerships Program	14.239	M07-SG320100	333,781	87,082
HOME Investment Partnerships Program	14.239	M08-SG320100	163,888	163,888
HOME Investment Partnerships Program	14.239	M09-SG320100	325,092	325,092
HOME Investment Partnerships Program	14.239	M10-SG320100	632,962	632,962
HOME Investment Partnerships Program	14.239	M11-SG320100	504,000	504,000
			1,975,308	**1,723,024**
Housing Opportunities for Persons with AIDS	14.241	NVH09-F999	71	71
ARRA - Homelessness Prevention and Rapid Re-Housing	14.257A	S-09-DY-32-0001	445,580	444,558
ARRA - Tax Credit Assistance Program	14.258A	86 9/10203	181,696	181,696
Total Department of Housing and Urban Development			**7,538,833**	**6,547,000**
Department of the Interior				
Fish and Wildlife CLUSTER				
Sport Fish Restoration	15.605	F-20-47	1,544,587	-
Sport Fish Restoration	15.605	F-30-AE-23	336,515	-
Sport Fish Restoration	15.605	F-32-D-21	1,624,104	-
Sport Fish Restoration	15.605	F-38-D-2	699,995	-
Sport Fish Restoration	15.605	F-49-B-1	10,017	-
Sport Fish Restoration	15.605	F-49-B-2	42,751	-
Sport Fish Restoration	15.605	F-50-B-1	93,958	-
Sport Fish Restoration	15.605	F-54-B-1	438,470	438,470
Sport Fish Restoration	15.605	FW-1-CP-12-F	25,660	-
Sport Fish Restoration	15.605	FW-3-T-29-F	40,663	-
Sport Fish Restoration	15.605	FW-3-T-30-F	135,019	-
Sport Fish Restoration	15.605	FW-4-D-18-F	178,236	-
			5,169,975	**438,470**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Wildlife Restoration	15.611	FW-1-CP-12-W	$ 30,021	$ -
Wildlife Restoration	15.611	FW-24-D-1-W	99,730	-
Wildlife Restoration	15.611	FW-3-T-29-W	130,952	-
Wildlife Restoration	15.611	FW-3-T-30-W	485,836	-
Wildlife Restoration	15.611	FW-4-D-18-W	1,059,299	-
Wildlife Restoration	15.611	W-48-R-43	2,911,319	-
Wildlife Restoration	15.611	W-58-D-22	564,406	-
Wildlife Restoration	15.611	W-61-D-15	142,638	-
Wildlife Restoration	15.611	W-64-R-12	475,027	33,706
Wildlife Restoration	15.611	W-68-R-1	71,240	-
Wildlife Restoration	15.611	W-70-R-1	234,843	-
			6,205,311	**33,706**
Total Fish and Wildlife CLUSTER			**11,375,286**	**472,176**
Cultural Resource Management	15.224	L09AC15576	76,814	-
Cultural Resource Management	15.224	L10PC00472	23,855	-
Cultural Resource Management	15.224	L11AC20132	30,000	-
			130,669	**-**
Distribution of Receipts to State and Local Governments	15.227	SFY 12	246,952	246,952
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	FAA080087	19,993	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC13237	120,669	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC13434	7,500	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC14110	9,883	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	SFY 12 Mineral Leases	7,874,977	7,874,977
			8,033,022	**7,874,977**
Wild Horse and Burro Resource Management	15.229	L09AC15177	1,019,534	-
Wild Horse and Burro Resource Management	15.229	L12AC20363	384,998	-
			1,404,532	**-**
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC13433	29,061	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC13433-0004	9,812	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC14979	19,491	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20107	21,252	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20164	$ 142,355	$ 90,000
Fish, Wildlife and Plant Conservation Resource Management	15.231	L11AC20202	721	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L11AC20241	32,577	32,577
			255,269	**122,577**
Southern Nevada Public Land Management Act	15.235	07-BVP-01	260	-
Southern Nevada Public Land Management Act	15.235	L06AC13232	119,618	-
Southern Nevada Public Land Management Act	15.235	L08AC13226	111	-
Southern Nevada Public Land Management Act	15.235	L09AC15293	20,886	-
Southern Nevada Public Land Management Act	15.235	L09AC15298	29,881	-
Southern Nevada Public Land Management Act	15.235	L09AC15428	170,474	-
Southern Nevada Public Land Management Act	15.235	L10AC20022	26,581	-
Southern Nevada Public Land Management Act	15.235	L11AC20351	51,905	-
			419,716	**-**
National Fire Plan - Rural Fire Assistance	15.242	L08AC14092	3,768	-
Water Reclamation and Reuse Program	15.504	R11AP20513	105,832	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	2010-0059-301	114,422	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	DRI656.0508	78,930	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R09AP20026	109,003	-
			302,355	**-**
Cultural Resources Management	15.511	R09PX30175	4,854	-
Cultural Resources Management	15.511	W-51-HS-37-H	573,064	-
			577,918	**-**
Fish and Wildlife Coordination Act	15.517	R06AP30024	29,338	-
Fish and Wildlife Coordination Act	15.517	R11AC30015	4,181	-
Fish and Wildlife Coordination Act	15.517	R12AC30003	23,102	-
Fish and Wildlife Coordination Act	15.517	R12AP30004	3,318	-
			59,939	**-**
Recreation Resources Management	15.524	R10AC20076	249,778	-
Fish and Wildlife Management Assistance	15.608	84240-7-A1003	63,224	-
Fish and Wildlife Management Assistance	15.608	84240-8-J102	10,156	-
Fish and Wildlife Management Assistance	15.608	84240-9-G013	1,860	-
Fish and Wildlife Management Assistance	15.608	84240-A-G016	9,130	-
Fish and Wildlife Management Assistance	15.608	84320-8-J512	7,964	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Fish and Wildlife Management Assistance	15.608	84320-A-520	$ 49,178	$ -
Fish and Wildlife Management Assistance	15.608	84320-A-J513	1,428	-
Fish and Wildlife Management Assistance	15.608	F09AC00473	27,895	-
			170,835	**-**
Cooperative Endangered Species Conservation Fund	15.615	E-17-R-2	64,411	-
Cooperative Endangered Species Conservation Fund	15.615	E-18-R-2	129,426	-
Cooperative Endangered Species Conservation Fund	15.615	E-19-R-2	29,144	-
Cooperative Endangered Species Conservation Fund	15.615	E-20-R-2	43,794	-
Cooperative Endangered Species Conservation Fund	15.615	F10AP00756	47,589	-
			314,364	**-**
Clean Vessel Act	15.616	V-8-D-1	86,944	86,944
Hunter Education and Safety Program	15.626	W-51-HS-37-J	44,898	-
Landowner Incentive	15.633	I-11-1	75,000	-
Landowner Incentive	15.633	I-2-4	69,701	-
Landowner Incentive	15.633	I-8-2	49,623	-
Landowner Incentive	15.633	I-9-2	35,183	27,487
			229,507	**27,487**
State Wildlife Grants	15.634	F12AP00045	5,802	-
State Wildlife Grants	15.634	FW-1-CP-12-SWG	4,117	-
State Wildlife Grants	15.634	FW-3-T-29-IN	24,960	-
State Wildlife Grants	15.634	FW-3-T-30-IN	78,892	-
State Wildlife Grants	15.634	T-1-2	455,397	-
State Wildlife Grants	15.634	T-2-P-2	95,221	-
State Wildlife Grants	15.634	T-3-P-1	95,425	-
State Wildlife Grants	15.634	T-4-1	33,403	-
State Wildlife Grants	15.634	T-5-R-1	4,151	-
State Wildlife Grants	15.634	T-6-R-1	11,644	-
			809,012	**-**
Migratory Bird Conservation	15.647	10154-6-J103	52,034	-
Historic Preservation Fund Grants-In-Aid	15.904	32-10-21935	135,295	135,295
Historic Preservation Fund Grants-In-Aid	15.904	32-11-31935	472,052	69,539

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Historic Preservation Fund Grants-In-Aid	15.904	32-12-41935	$ 150,938	$ 21,739
Historic Preservation Fund Grants-In-Aid	15.904	L10PX02479	47,017	-
			805,302	**226,573**
Rivers, Trails and Conservation Assistance	15.921	H8360080017	44,156	-
Rivers, Trails and Conservation Assistance	15.921	H8420090625	6,789	-
			50,945	**-**
ARRA - Save America's Treasures	15.929A	32-08-AP-4126	2,385	-
Total Department of the Interior			**25,731,262**	**9,057,686**
Department of Justice				
JAG Program CLUSTER				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0031	106,364	75,942
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0744	23,890	12,849
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0330	470,454	8,536
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DG-BX-0119	502,697	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0105	703,430	364,424
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2508	1,845,491	1,655,945
			3,652,326	**2,117,696**
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803A	2009-SU-B9-0043	7,567,513	-
Total JAG Program CLUSTER			**11,219,839**	**2,117,696**
State and Local Domestic Preparedness Exercise Report	16.009	2012-93	26,008	-
Sexual Assault Services Formula Program	16.017	2009-KF-AX-0043	130,191	127,078
Sexual Assault Services Formula Program	16.017	2010-KF-AX-0029	124,096	112,720
Sexual Assault Services Formula Program	16.017	2011-KF-AX-0054	39,511	-
			293,798	**239,798**
Juvenile Accountability Incentive Block Grants	16.523	2009-JB-FX-0018	692	651
Juvenile Accountability Incentive Block Grants	16.523	2010-JB-FX-052	358,974	352,624
Juvenile Accountability Incentive Block Grants	16.523	2011-JB-FX-0007	189,376	175,904
			549,042	**529,179**
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2010-JF-FX-0018	161,885	79,139
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2011-JF-FX-0013	389,958	279,231
			551,843	**358,370**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Title V_Delinquency Prevention Program	16.548	2010-JP-FX-0004	$ 10,000	$ 10,000
National Criminal History Improvement Program (NCHIP)	16.554	2009-RU-BX-K011	179,705	-
Crime Victim Assistance	16.575	2010-VA-OX-0069	2,842,173	2,803,024
Crime Victim Assistance	16.575	2011-VA-GX-0030	2,206,916	2,163,766
			5,049,089	**4,966,790**
Crime Victim Compensation	16.576	2012-VC-GX-0054	3,103,000	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0027	112,101	-
Violence Against Women Formula Grants	16.588	2009-WF-AX-0005	200,126	118,847
Violence Against Women Formula Grants	16.588	2010-WF-AX-0029	833,701	740,881
Violence Against Women Formula Grants	16.588	2011 WX-AX-K0004	51,928	45,813
Violence Against Women Formula Grants	16.588	2011-WF-AX-0049	559,978	520,128
ARRA - Violence Against Women Formula Grants	16.588A	2009-EF-S6-0006	216,070	184,152
			1,861,803	**1,609,821**
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0010	140,150	18,225
Grants to Encourage Arrest Policies	16.590	2009-WE-AX-0010	168,775	3,212
Residential Substance Abuse Treatment for State Prisoners	16.593	2010-RT-BX-0061	79,327	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2011-RT-BX-0047	7,307	-
			86,634	**-**
State Criminal Alien Assistance Program	16.606	2010-H2476-NV-AP	2,590,075	-
Bulletproof Vest Partnership Grant	16.607	11 Award	1,100	1,100
Community Prosecution and Project Safe Neighborhoods	16.609	2008-GP-CX-0084	29,250	29,250
Community Prosecution and Project Safe Neighborhoods	16.609	2010-GP-BX-0039	68,592	66,020
Community Prosecution and Project Safe Neighborhoods	16.609	2011-GP-BX-0042	23,306	19,009
			121,148	**114,279**
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0854	44,854	19,578
Public Safety Partnership and Community Policing Grants	16.710	2009CSWX0016	15,209	-
			60,063	**19,578**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0067	$ 150,974	$ 150,974
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0061	267,300	267,300
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0118	57,068	57,068
			475,342	**475,342**
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	2009-VN-CX-0014	269,063	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2010-CD-BX-0013	126,855	107,936
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2011-CD-BX-0050	33,146	23,964
			160,001	**131,900**
Congressionally Recommended Awards	16.753	2009-DI-BX-0154	3,608	-
Congressionally Recommended Awards	16.753	2010-DD-BX-0721	10,025	-
			13,633	**-**
ARRA - Crime Victim Assistance / Formula Grant	16.801A	2009-SG-B90114	150,782	150,652
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-0035	370,587	-
NICS Act Record Improvement Program	16.813	2009-NS-BX-K060	446,916	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2010-RJ-BX-0040	95,801	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2011-RJ-BX-0047	119,055	-
			214,856	**-**
Equitable Sharing Program	16.922	SFY 2012	1,040,257	-
Total Department of Justice			**29,265,610**	**10,745,942**
Department of Labor				
Employment Service CLUSTER				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-19221-09-55-A-32	283,911	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-20764-10-55-A-32	1,525,843	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-22076-11-55-A-32	6,572,338	-
			8,382,092	**-**
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-19662-10-55-5-32	707,047	-
Local Veterans' Employment Representative Program	17.804	DV-19662-10-55-5-32	613,856	-
Total Employment Service CLUSTER			**9,702,995**	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
WIA CLUSTER				
WIA Adult Program	17.258	AA-18660-09-55-A-32	$ 69,418	$ -
WIA Adult Program	17.258	AA-20212-10-55-A-32	2,440,268	1,754,484
WIA Adult Program	17.258	AA-21414-11-55-A-32	4,982,417	4,951,137
ARRA - WIA Adult Program	17.258A	AA-17140-08-55-A-32	1	-
			7,492,104	**6,705,621**
WIA Youth Activities	17.259	AA-18660-09-55-A-32	77,241	-
WIA Youth Activities	17.259	AA-20212-10-55-A-32	4,762,916	4,173,401
WIA Youth Activities	17.259	AA-21414-11-55-A-32	2,761,695	2,665,230
ARRA - WIA Youth Activities	17.259A	AA-17140-08-55-A-32	1	-
			7,601,853	**6,838,631**
WIA Dislocated Workers	17.260	AA-18660-09-55-A-32	517,382	-
ARRA - WIA Dislocated Workers	17.260A	AA-17140-08-55-A-32	3	-
			517,385	**-**
WIA Dislocated Worker Formula Grants	17.278	AA-20212-10-55-A-32	6,453,359	4,872,475
WIA Dislocated Worker Formula Grants	17.278	AA-21414-11-55-A-32	6,641,418	5,955,689
			13,094,777	**10,828,164**
Total WIA CLUSTER			**28,706,119**	**24,372,416**
Labor Force Statistics	17.002	LM-20311-11-75-J-32	383,225	-
Labor Force Statistics	17.002	LM-21480-12-75-J-32	660,633	-
			1,043,858	**-**
Compensation and Working Conditions	17.005	OS-18476-10-75-J-32	17,836	-
Compensation and Working Conditions	17.005	OS-21524-12-75-J-32	34,308	-
			52,144	**-**
Unemployment Insurance	17.225	UI Trust Fund	1,211,700,560	-
Unemployment Insurance	17.225	UI-18039-09-55-A-32	298,290	-
Unemployment Insurance	17.225	UI-19601-10-55-A-32	2,630,822	-
Unemployment Insurance	17.225	UI-21118-11-55-A-32	13,931,799	-
Unemployment Insurance	17.225	UI-22331-12-55-A-32	23,706,220	-
ARRA - Unemployment Insurance	17.225A	ARRA - Unemployment Insurance	544,096	-
ARRA - Unemployment Insurance	17.225A	UI Trust Fund	421,618,143	-
			1,674,429,930	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Senior Community Service Employment Program	17.235	AD-19987-10-60-A-32	$ 1,735	$ -
Senior Community Service Employment Program	17.235	AD-21843-11-55-A-32	475,366	456,470
			477,101	**456,470**
Trade Adjustment Assistance	17.245	TA-17869-09-55-A-32	62,803	-
Trade Adjustment Assistance	17.245	TA-19724-10-55-A-32	278,265	-
			341,068	**-**
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-20764-10-55-A-32	86,989	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-22076-11-55-A-32	5,746	-
			92,735	**-**
Temporary Labor Certification for Foreign Workers	17.273	ES-20764-10-55-A-32	83,544	-
Temporary Labor Certification for Foreign Workers	17.273	ES-22076-11-55-A-32	14,655	-
			98,199	**-**
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275A	GJ-19848-10-60-A-32	13,764	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275A	GJ-19954-10-60-A-32	2,951,519	-
			2,965,283	**-**
Reed Act Distribution	17.299	Reed Act Distribution	6,449,968	-
Consultation Agreements	17.504	CS19382C50	81,689	-
Consultation Agreements	17.504	CS224121275F32	600,000	-
			681,689	**-**
OSHA Data Initiative	17.505	DC18106DC0	5,104	-
OSHA Data Initiative	17.505	DC225751275F32	901	-
			6,005	**-**
Alien Labor Certification	17.528	UI-19601-10-55-A-32	1,353,886	-
Mine Health and Safety Grants	17.600	MS-23177-12-55-R-32	210,697	-
Transition Assistance Program	17.807	DV-19662-10-55-5-32	21,913	-
Total Department of Labor			**1,726,633,590**	**24,828,886**
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Capital Investment Grants	20.500	NV-04-0008	739,639	739,639
Total Federal Transit CLUSTER			**739,639**	**739,639**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	SFY12	$ 432,628,988	$ 29,043,144
ARRA - Highway Planning and Construction	20.205A	SFY12	22,676,908	1,605,075
			455,305,896	**30,648,219**
Recreational Trails Program	20.219	NRT-007	2,072	2,072
Recreational Trails Program	20.219	NRTP-008	86,293	55,845
Recreational Trails Program	20.219	NRTP-009	87,398	86,338
Recreational Trails Program	20.219	NRTP-010	487,613	473,111
Recreational Trails Program	20.219	NRTP-011	285,872	235,896
Recreational Trails Program	20.219	NRTP-012	19,091	19,091
			968,339	**872,353**
Total Highway Planning and Construction CLUSTER			**456,274,235**	**31,520,572**
Highway Safety CLUSTER				
State and Community Highway Safety	20.600	NHTSA 402 FY12	465,582	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	410 Alcohol SAFETEA-LU	1,013,751	83,898
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 402 FY11	1,368,659	888,091
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 405 FY11	91,037	60,323
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 406 FY08	943,296	186,798
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 408 FY09	78,010	64,338
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 408 FY10	197,504	12,637
			3,692,257	**1,296,085**
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010 FY09	39,751	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010FY08	15,509	-
			55,260	**-**
Total Highway Safety CLUSTER			**4,213,099**	**1,296,085**
Transit Services Programs CLUSTER				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	29,651	29,651
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0035	55,344	55,344
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0036	17,420	17,420
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0037	940,517	930,116
			1,042,932	**1,032,531**
Total Transit Services Programs CLUSTER			**1,042,932**	**1,032,531**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Airport Improvement Program	20.106	3-32-000-007	$ 349,365	$ 349,365
Airport Improvement Program	20.106	3-32-000-008	15,161	-
			364,526	**349,365**
National Motor Carrier Safety	20.218	FM-MCG-0035-11-01-02	897,929	-
National Motor Carrier Safety	20.218	FM-MHP-0034-11-01-00	128,211	-
National Motor Carrier Safety	20.218	FM-MHP-0035-11-01-00	330,892	-
National Motor Carrier Safety	20.218	FM-MNE-0016-11-01-00	131,561	-
National Motor Carrier Safety	20.218	MC103210000000	453,127	-
National Motor Carrier Safety	20.218	MN103210000000	8,280	-
			1,950,000	**-**
Commercial Driver's License Program Improvement Grant	20.232	CD103210000000	9,299	-
Commercial Driver's License Program Improvement Grant	20.232	FM-CDL-0009-11-01-01	332,033	-
			341,332	**-**
Fuel Tax Evasion_Intergovernmental Enforcement Effort	20.240	TCP1-004	7,118	-
High-Speed Rail Corridors and Intercity Passenger Rail Service	20.319	FR-HSR-0042-11-01-00	446,738	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	26,890	17,443
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	5,311	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X031	359,058	353,779
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X032	3,258,560	3,217,814
Formula Grants for Other Than Urbanized Areas	20.509	NV-86-X0001	1,328,219	1,328,219
			4,978,038	**4,917,255**
Pipeline Safety	20.700	DTPH56-11-G-PHPG25	225,048	-
Pipeline Safety	20.700	DTPH56-11-G-PHPS10	94,500	-
			319,548	**-**
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0179-10-01-00	105,831	105,831
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0224-11-01-00	21,634	20,147
			127,465	**125,978**
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-11-G-PHPC18	21,490	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-12-G-PHPC17	15,000	-
			36,490	**-**
Total Department of Transportation			**470,841,160**	**39,981,425**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Treasury				
National Foreclosure Mitigation Counseling Program	21.000	PL112-8:95X1350	$ 384,275	$ 364,720
Total Department of Treasury			**384,275**	**364,720**
Equal Employment Opportunity Commission				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	EECCN090067	361,400	-
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	EECCN120109	1,400	-
			362,800	**-**
Total Equal Employment Opportunity Commission			**362,800**	**-**
General Services Administration				
Donation of Federal Surplus Personal Property	39.003	SFY 12 Federal Surplus Property	3,138,093	576,118
Election Reform Payments	39.011	SFY 12	137,013	-
Total General Services Administration			**3,275,106**	**576,118**
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Partnership Agreements	45.025	10-6100-2046	84,616	34,666
Promotion of the Arts_Partnership Agreements	45.025	11-6100-2036	749,300	435,716
			833,916	**470,382**
Grants to States	45.310	LS-00-11-0029-11	1,356,573	664,462
Grants to States	45.310	LS-00-12-0029-12	43,127	23,060
			1,399,700	**687,522**
Total National Foundation on the Arts and the Humanities			**2,233,616**	**1,157,904**
Department of Veterans Affairs				
State Cemetery Grants	64.203	SAI 88100039	1,907	-
Total Department of Veterans Affairs			**1,907**	**-**
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-96963512-0	224,581	209,507
Clean School Bus USA	66.036	EM-83296601-0	109,279	-
State Clean Diesel Grant Program	66.040	DS-96965801-3	263,249	263,249
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20610-1	112,009	-
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20611-0	15,025	15,025
Water Pollution Control_State and Interstate Program Support	66.419	I-00T56911-0	21,747	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Water Pollution Control_State and Interstate Program Support	66.419	I-97933611-2	$ 696,038	$ 17,241
Water Pollution Control_State and Interstate Program Support	66.419	I-97933712-0	123,571	-
Water Pollution Control_State and Interstate Program Support	66.419	I-98972809	100,835	9,077
			1,069,225	**41,343**
State Public Water System Supervision	66.432	F-00910512-2	907,000	96,152
State Underground Water Source Protection	66.433	G-00945611-0	99,308	-
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements-Section 104(b)(3) of the Clean Water Act	66.436	X7-T59601-0	44,911	-
Water Quality Management Planning	66.454	C6-97965911-1	10,349	8,390
Water Quality Management Planning	66.454	C6-97965912-0	76,777	16,777
			87,126	**25,167**
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-08	237,691	210,348
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-09	701,959	592,816
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-10	10,324,212	10,304,156
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-11	1,879,178	1,879,178
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458A	2W32000209	76,509	76,389
			13,219,549	**13,062,887**
Nonpoint Source Implementation Grants	66.460	C9-97908108	109,969	53,088
Nonpoint Source Implementation Grants	66.460	C9-97908109	212,622	155,929
Nonpoint Source Implementation Grants	66.460	C9-97908110	209,374	171,724
Nonpoint Source Implementation Grants	66.460	C9-97908111-0	772,690	252,029
Nonpoint Source Implementation Grants	66.460	C9-97908112-0	29,100	16,885
			1,333,755	**649,655**
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996008	289,878	289,878
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996010	12,029,653	10,275,648
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996011	1,412,758	1,407,880
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468A	2F00T04909	1,757,007	1,479,469
			15,489,296	**13,452,875**
Performance Partnership Grants	66.605	BG-97958812-0	1,565,742	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83348201	$ 113,156	$ -
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83387101	29,781	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83423201-0	7,473	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83466301-0	96,139	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83606201-0	1,575	-
			248,124	**-**
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915411-0	113,116	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915412-0	208,806	6,139
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959511-0	3,007	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959512-0	28,000	-
			352,929	**6,139**
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V-00T43601-0	22,191	-
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V-00T43701-0	321,211	-
			343,402	**-**
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-00T09601-2	319,761	79,564
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-00T09401-1	730,996	77,436
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805A	2L-00T20501-0	290,819	-
			1,021,815	**77,436**
State and Tribal Response Program Grants	66.817	RP-00T10001-3	812,468	-
Total Environmental Protection Agency			**37,511,520**	**27,963,974**
Department of Energy				
State Energy Program	81.041	DE-EE0003761	359,108	60,853
State Energy Program	81.041	DE-EE0004471	1,018,148	860,847
ARRA - State Energy Program	81.041A	DE-EE-0000084	7,164,870	2,525,316
ARRA - State Energy Program	81.041A	Program Income: ARRA SEP Grant Revolving Loan Fund	1,901,364	-
			10,443,490	**3,447,016**
Weatherization Assistance for Low-Income Persons	81.042	DE-FG26-06R21683	667,120	569,927
ARRA - Weatherization Assistance for Low-Income Persons	81.042A	DE-EE0000081	9,590,970	9,166,453
			10,258,090	**9,736,380**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Nuclear Waste Disposal Siting	81.065	Yucca Mtn FFY2006 Appropriation Act	$ 1,686,143	$ -
Office of Environmental Waste Processing	81.104	DE-EM0001053	1,976,464	-
Office of Environmental Waste Processing	81.104	DE-FG08-99NV13568	562,619	-
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13567	539,543	6,990
			3,078,626	**6,990**
State Energy Program Special Projects	81.119	DE-EE0005461	32,246	-
State Energy Program Special Projects	81.119	DE-FG36-02R021392	9,829	9,500
			42,075	**9,500**
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122A	DE-OE0000068	98,778	-
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122A	DE-OE0000132	249,659	-
			348,437	**-**
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128A	DE-EE0000687	616,089	410,231
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	573,424	573,424
Total Department of Energy			**27,046,374**	**14,183,541**
Department of Education				
Early Intervention Services (IDEA) CLUSTER				
Special Education-Grants for Infants and Families	84.181	H181A090019	19,267	-
Special Education-Grants for Infants and Families	84.181	H181A100019	1,836,209	17,768
Special Education-Grants for Infants and Families	84.181	H181A110019	2,151,801	10,395
			4,007,277	**28,163**
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393A	H393A090019	437,993	-
Total Early Intervention Services (IDEA) CLUSTER			**4,445,270**	**28,163**
Education of Homeless Children and Youth CLUSTER				
Education of Homeless Children and Youth	84.196	S196A090029	89,260	61,987
Education of Homeless Children and Youth	84.196	S196A100029	285,347	197,058
Education of Homeless Children and Youth	84.196	S196A110029	101,727	98,857
			476,334	**357,902**
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387A	S387A090029	29,375	29,375
Total Education of Homeless Children and Youth CLUSTER			**505,709**	**387,277**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Educational Technology State Grants CLUSTER				
Education Technology State Grants	84.318	S318X090028	$ 529,502	$ 520,908
Education Technology State Grants	84.318	S318X100028	300,568	271,815
			830,070	**792,723**
ARRA - Education Technology State Grants, Recovery Act	84.386A	S386A090028	162,006	138,593
Total Educational Technology State Grants CLUSTER			**992,076**	**931,316**
Independent Living Services for Older Individ CLUSTER				
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B110028-11D	113,210	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B120028-12C	195,219	-
			308,429	**-**
Total Independent Living Services for Older Individ CLUSTER			**308,429**	**-**
Independent Living State Grants CLUSTER				
Independent Living State Grants	84.169	H169A110013	78,090	30,170
Independent Living State Grants	84.169	H169A120013-12A	234,894	118,525
			312,984	**148,695**
ARRA - Independent Living State Grants, Recovery Act	84.398A	H398A090013	21,509	17,220
Total Independent Living State Grants CLUSTER			**334,493**	**165,915**
School Improvement Grants CLUSTER				
School Improvement Grants	84.377	S377A090029	456,295	34,534
School Improvement Grants	84.377	S377A100029	1,598	1,598
			457,893	**36,132**
ARRA - School Improvement Grants, Recovery Act	84.388A	S388A090028	8,424,087	8,424,087
Total School Improvement Grants CLUSTER			**8,881,980**	**8,460,219**
Special Education CLUSTER				
Special Education_Grants to States	84.027	H027A090043	2,056,554	2,032,897
Special Education_Grants to States	84.027	H027A100043	30,486,579	28,376,153
Special Education_Grants to States	84.027	H027A110043	42,774,829	42,434,455
			75,317,962	**72,843,505**
Special Education_Preschool Grants	84.173	H173A090046	10,088	10,088
Special Education_Preschool Grants	84.173	H173A100046	1,401,021	1,318,137
Special Education_Preschool Grants	84.173	H173A110046	673,886	628,235
			2,084,995	**1,956,460**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
ARRA - Special Education Grants to States, Recovery Act	84.391A	H391A090043	$ 5,033,997	$ 5,033,997
ARRA - Special Education - Preschool Grants, Recovery Act	84.392A	H392A090046	206,493	206,493
Total Special Education CLUSTER			**82,643,447**	**80,040,455**
Title I, Part A CLUSTER				
Title I Grants to Local Educational Agencies	84.010	S010A090028	1,849,133	1,785,685
Title I Grants to Local Educational Agencies	84.010	S010A100028	27,296,490	26,413,492
Title I Grants to Local Educational Agencies	84.010	S010A110028	56,979,069	56,816,389
			86,124,692	**85,015,566**
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389A	S389A090028	13,577,418	13,550,515
Total Title I, Part A CLUSTER			**99,702,110**	**98,566,081**
Vocational Rehabilitation CLUSTER				
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A100041	302,240	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A110041-11F	9,263,890	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A120041-12C	8,203,695	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST10	182,906	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST11	441,288	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST12	199,872	-
			18,593,891	**-**
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	84.390A	H390A090041	512,549	-
Total Vocational Rehabilitation CLUSTER			**19,106,440**	**-**
Adult Education_State Grant Program	84.002	V002A100028	965,539	844,052
Adult Education_State Grant Program	84.002	V002A110029	3,734,545	3,689,588
			4,700,084	**4,533,640**
Migrant Education_State Grant Program	84.011	S011A090028	50,370	42,676
Migrant Education_State Grant Program	84.011	S011A100028	153,156	133,141
Migrant Education_State Grant Program	84.011	S011A110028	3,712	-
			207,238	**175,817**
Title I Program for Neglected and Delinquent Children	84.013	S013A100028	265,327	192,737
Title I Program for Neglected and Delinquent Children	84.013	S013A110028	97,691	88,379
			363,018	**281,116**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Career and Technical Education_Basic Grants to States	84.048	V048A090028	$ 3,862	$ 3,862
Career and Technical Education_Basic Grants to States	84.048	V048A100028	2,181,643	1,453,177
Career and Technical Education_Basic Grants to States	84.048	V048A110028	6,084,171	6,056,410
			8,269,676	**7,513,449**
Migrant Education_Coordination Program	84.144	S144F090028	26,135	26,065
Migrant Education_Coordination Program	84.144	S144F100028	79,690	1,443
Migrant Education_Coordination Program	84.144	S144G090028	25,734	-
			131,559	**27,508**
Rehabilitation Services_Client Assistance Program	84.161	H161A110029	51,808	-
Rehabilitation Services_Client Assistance Program	84.161	H161A120029-12B	93,153	-
			144,961	**-**
Byrd Honors Scholarships	84.185	P185A100030	229,460	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A090029	120,824	112,451
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A100042	15,254	-
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A110042-11D	105,223	-
			120,477	**-**
Even Start_State Educational Agencies	84.213	S213A090029	7,559	5,793
Even Start_State Educational Agencies	84.213	S213A100029	148,972	140,500
			156,531	**146,293**
Assistive Technology	84.224	H224A100028	116,957	110,201
Assistive Technology	84.224	H224A110028	233,364	190,108
			350,321	**300,309**
Tech-Prep Education	84.243	V243A100028	48,577	48,577
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service	84.265	H265A100026	20,177	-
Twenty-First Century Community Learning Centers	84.287	S287A090028	426,261	366,111
Twenty-First Century Community Learning Centers	84.287	S287A100028	4,712,436	4,543,656
Twenty-First Century Community Learning Centers	84.287	S287A110028	1,615,039	1,615,039
			6,753,736	**6,524,806**
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A070024	364,044	124,651
Advanced Placement Program	84.330	S330B1100009	29,046	29,046

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Grants to States for Incarcerated Youth Offenders	84.331	Q331A080029	$ 91,668	$ -
Grants to States for Incarcerated Youth Offenders	84.331	Q331A090029	48,707	-
			140,375	**-**
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	1,591,684	1,310,302
English Language Acquisition Grants	84.365	S365A090028	745,959	646,073
English Language Acquisition Grants	84.365	S365A100028	3,150,708	2,873,176
English Language Acquisition Grants	84.365	S365A110028	3,980,273	3,980,273
			7,876,940	**7,499,522**
Mathematics and Science Partnerships	84.366	S366A090029	136,446	117,526
Mathematics and Science Partnerships	84.366	S366B100029	544,819	457,176
Mathematics and Science Partnerships	84.366	S366B110029	151,926	134,500
			833,191	**709,202**
Improving Teacher Quality State Grants	84.367	S367A090027	42,494	-
Improving Teacher Quality State Grants	84.367	S367A100027	5,494,867	5,188,896
Improving Teacher Quality State Grants	84.367	S367A110027	6,804,786	6,718,917
			12,342,147	**11,907,813**
Grants for State Assessments and Related Activities	84.369	S369A090029	27,582	-
Grants for State Assessments and Related Activities	84.369	S369A100029	3,631,297	-
Grants for State Assessments and Related Activities	84.369	S369A110029	1,327,013	-
			4,985,892	**-**
Striving Readers	84.371	S371B100025	97,737	-
Striving Readers	84.371	S371C110026	318,876	157,074
			416,613	**157,074**
Education Jobs Fund	84.410	S410A100029	43,174,450	42,828,572
Total Department of Education			**310,290,975**	**272,809,574**
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	NAR09-RC-10090-10	11,896	-
Total National Archives and Records Administration			**11,896**	**-**
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	HAVA - SFY 12	792,386	-
Total Election Assistance Commission			**792,386**	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
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	11AANVT3SP	$ 2,801,487	$ 2,707,924
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	12AANVT3SP	454,713	174,125
			3,256,200	**2,882,049**
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	11AANVT3SP	2,488,064	2,237,420
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	12AANVT3SP	1,573,288	892,568
			4,061,352	**3,129,988**
Nutrition Services Incentive Program	93.053	11AANVNSIP	525,090	525,090
Nutrition Services Incentive Program	93.053	12AANVNSIP	551,120	551,120
Nutrition Services Incentive Program	93.053	Food Commodities	87,809	87,809
			1,164,019	**1,164,019**
Total Aging CLUSTER			**8,481,571**	**7,176,056**
CCDF CLUSTER				
Child Care and Development Block Grant	93.575	G-1201NVCCDF	12,503,495	608,248
Child Care and Development Block Grant	93.575	G1101NVCCDF	7,186,239	-
			19,689,734	**608,248**
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1101NVCCDF	6,108,880	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1201NVCCDF	14,288,273	-
			20,397,153	**-**
Total CCDF CLUSTER			**40,086,887**	**608,248**
CSBG CLUSTER				
Community Services Block Grant	93.569	G-11B1NVCOSR	1,877,033	1,788,038
Community Services Block Grant	93.569	G-12B1NVCOSR	2,153,432	2,067,838
			4,030,465	**3,855,876**
Total CSBG CLUSTER			**4,030,465**	**3,855,876**
Head Start CLUSTER				
Head Start	93.600	09CD0013/01	113,708	33,557
ARRA-Head Start	93.708A	90SC0018/01	367,143	60,629
Total Head Start CLUSTER			**480,851**	**94,186**

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FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Immunization CLUSTER				
Immunization Grants	93.268	5H23IP922549-08	$ 6,049	$ -
Immunization Grants	93.268	5H23IP922549-09	1,620,521	985,540
Immunization Grants	93.268	5H23IP922549-10	1,196,198	574,911
Immunization Grants	93.268	Direct Assistance	32,557,952	-
			35,380,720	**1,560,451**
ARRA - Immunization	93.712A	3H23IP922549-07S1	505,392	-
Total Immunization CLUSTER			**35,886,112**	**1,560,451**
Medicaid CLUSTER				
ARRA-Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720A	05-1005-NV-5ASC	31,683	-
State Medicaid Fraud Control Units	93.775	01-1101-NV-5050	267,522	-
State Medicaid Fraud Control Units	93.775	01-1201-NV-5050	1,023,125	-
			1,290,647	**-**
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1105-NV-5000	512,373	27,563
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1105-NV-5002	41,088	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1205-NV-5000	1,384,793	24,563
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1205-NV-5001	482,850	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1205-NV-5002	86,031	-
			2,507,135	**52,126**
Medical Assistance Program	93.778	05-1105NV5ADM	8,731,328	-
Medical Assistance Program	93.778	05-1105NV5MAP	193,471,639	149,903
Medical Assistance Program	93.778	05-1205NV5ADM	50,230,361	-
Medical Assistance Program	93.778	05-1205NV5MAP	728,480,122	4,799,437
Medical Assistance Program	93.778	05-1205NVIMPL	96,236	-
ARRA - Medical Assistance Program	93.778A	05-1005NVARRA	1,812,293	-
ARRA - Medical Assistance Program	93.778A	05-1005NVHITA	34,011	-
			982,855,990	**4,949,340**
Total Medicaid CLUSTER			**986,685,455**	**5,001,466**
TANF CLUSTER				
Temporary Assistance for Needy Families	93.558	G-1102NVTANF	24,403,187	-
Temporary Assistance for Needy Families	93.558	G-1202NVTANF	22,536,107	-
			46,939,294	**-**
Total TANF CLUSTER			**46,939,294**	**-**

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	11AANVT7SP	$ 12,105	$ 3,975
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	12AANVT7SP	26,874	2,483
			38,979	**6,458**
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	10AANVT7SP	2,999	2,999
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	11AANVT7SP	32,042	5,975
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	12AANVT7SP	97,006	2,000
			132,047	**10,974**
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	10AANVT3SP	9,299	9,299
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	11AANVT3SP	102,462	65,040
			111,761	**74,339**
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90DR0042/02	95,898	44,555
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90DR0042/03	194,651	38,943
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90MP0019/03	223,743	-
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90MP0043/01	192,040	122,675
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90MP0118	48,058	45,961
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90MP0174/01	6,410	-
			760,800	**252,134**
Alzheimer's Disease Demonstration Grants to States	93.051	90AE0333/01	322,556	304,601
National Family Caregiver Support	93.052	10AANVT3SP	252,770	252,770
National Family Caregiver Support	93.052	11AANVT3SP	654,226	579,331
			906,996	**832,101**
Public Health Emergency Preparedness	93.069	2U90TP916964-11	5,152,897	3,710,019
Public Health Emergency Preparedness	93.069	3U90TP916964-10	743,136	716,177
Public Health Emergency Preparedness	93.069	3U90TP916964-10S1	1,079,273	881,203
			6,975,306	**5,307,399**

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Lifespan Respite Care Program	93.072	90LR0012/01	$ 134,124	$ 130,891
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU001204	294,931	146,697
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU001205	457,177	82,764
			752,108	**229,461**
Emergency System for Advance Registration of Volunteer health Professionals	93.089	5 ESREP100015-02-00	98,055	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1001NVPREP	45,795	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1101NVPREP	34,345	-
			80,140	**-**
Maternal and Child Health Federal Consolidated Programs	93.110	2 H18MC00032-19-00	20,670	-
Maternal and Child Health Federal Consolidated Programs	93.110	4 H25MC00229-08-03	274,862	13,594
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-18-00	45,315	-
			340,847	**13,594**
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-20	370,382	312,815
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-21	193,158	159,666
			563,540	**472,481**
Emergency Medical Services for Children	93.127	4 H33MC06694-06-03	40,757	5,100
Emergency Medical Services for Children	93.127	6 H33MC06694-07	16,391	-
			57,148	**5,100**
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060029-10	143,362	142,665
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060029-11	353,572	333,708
			496,934	**476,373**
State Data Collection_Uniform Alcohol and Drug Abuse Data	93.179	283-02-9026	224,835	-
Family Planning_Services	93.217	6 FPHPA091175-36-03	762,673	142,610
Abstinence Education Program	93.235	1101NVAEGP	84,430	58,430
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1HR1SM059986-01	6,131	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SP018665-01	222,728	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5HR1SM058080-03	25,688	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5HR1SM059986-02	$ 138,345	$ -
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5U79SM059187	524,270	292,570
			917,162	**292,570**
Universal Newborn Hearing Screening	93.251	5 H61MC00096-09-00	95,320	23,726
Universal Newborn Hearing Screening	93.251	5 H61MC00096-10-00	197,408	45,412
			292,728	**69,138**
State Health Access Program	93.256	4 H2PHS16503-02-04	3,182,956	2,355,933
Adult Viral Hepatitis Prevention and Control	93.270	5U51PS000874-04	46,948	41,651
Adult Viral Hepatitis Prevention and Control	93.270	5U51PS000874-05	27,292	19,392
			74,240	**61,043**
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50CI000862-01	91,190	14,360
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50CK000257-01	130,958	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58DP002054-02	675,349	285,829
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58SO000035-01	245,202	74,138
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58SO000035-02	125,189	92,796
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1UR3DD000788-01	129,699	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	3U50CI000489-03S2	4,354	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	3U50CI000489-03S4	385,373	212,387
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 U50CI000489-03	1,674	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 U50CI000489-03S3	40,592	10,848
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DP000804-04	80,828	2,500
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DP000804-05	2,885,883	1,770,325
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DP001535-03	107,359	43,754
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DP001535-04	268,982	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DP002003-03	$ 1,001,911	$ 633,101
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DP002003-04	135,964	43,953
			6,310,507	**3,183,991**
State Partnership Grant Program to Improve Minority Health	93.296	1 STTMP101071-01-00	109,520	-
ARRA - State Primary Care Offices	93.414A	1 U6AHP16573-02-02	26,389	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	6 X02MC19408-01-01	330,461	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	X02MC23117-01-11	3,898	-
			334,359	**-**
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long-Term Care Facilities and Providers	93.506	1A1CMS330886-01	45,794	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	1U58CD001288-01	60,570	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	5U58CD001288-02	277,234	-
			337,804	**-**
Affordable Care Act (ACA) State Health Care Workforce Development Grants	93.509	6 P50HP20991-01-01	137,613	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	1 IPRPR100041-01-00	550,923	-
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	10AANVMAA	52,680	30,500
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	10AANVMADR	101,233	101,247
			153,913	**131,747**
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	CAPCA110003-01-00	221,918	-
Centers for Disease Control and Prevention - Affordable Care Act (ACA)-Communities Putting Prevention to Work	93.520	3U58DP002003-02S2	47,901	25,000
Centers for Disease Control and Prevention - Affordable Care Act (ACA)-Communities Putting Prevention to Work	93.520	3U58DP002003-02W1	2,512	2,143
			50,413	**27,143**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	1U50CI000900-01	$ 7,885	$ 7,885
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50CI000900-02S1	117,469	-
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	5U50CI000900-02	296,915	203,282
			422,269	**211,167**
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	1 HBEIE100022-01-00	695,180	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE110066	1,654,703	23,111
			2,349,883	**23,111**
The Affordable Care Act Medicaid Incentivies for Prevention of Chronic Disease Demonstration Project	93.536	1B1CMS330879-01-00	41,490	-
Prevention and Public Health Fund (Affordable Care Act)-Capacity Bldg. Asst. to Strengthen Public Immunization Infrastructure & Performance	93.539	1H23IP000573-01	91,793	91,793
The Patient Protection and Affordable Care Act of 2010 Authorizes Coordinated Chronic Disease Prevention & Health Promotion Program	93.544	3U58DP002003-03W2	72,365	-
Promoting Safe and Stable Families	93.556	G-1001NVFPSS	727,295	691,100
Promoting Safe and Stable Families	93.556	G-1011NVFPCV	23,956	17,310
Promoting Safe and Stable Families	93.556	G-1101NVFPSS	1,416,462	1,352,500
Promoting Safe and Stable Families	93.556	G-1111NVFPCV	54,670	52,077
			2,222,383	**2,112,987**
Child Support Enforcement	93.563	0904NV4004	2,799,228	1,536,123
Child Support Enforcement	93.563	1104NV4004	4,181,869	1,790,899
Child Support Enforcement	93.563	1124NV4005	28,682,160	20,801,981
			35,663,257	**24,129,003**
Low Income Home Energy Assistance	93.568	G-11B1NVLIEA	2,888,638	-
Low Income Home Energy Assistance	93.568	G-12BINVLIEA	3,004,055	-
			5,892,693	**-**
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/05	22,894	22,894
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0130/01	150,000	150,000
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0130/02	86,929	86,929
			259,823	**259,823**

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
State Court Improvement Program	93.586	G-1001NVSCID	$ 116,589	$ -
State Court Improvement Program	93.586	G-1001NVSCIP	56,237	-
State Court Improvement Program	93.586	G-1001NVSCIT	127,568	-
State Court Improvement Program	93.586	G-1101NVSCID	112,452	-
State Court Improvement Program	93.586	G-1101NVSCIP	108,787	-
State Court Improvement Program	93.586	G-1101NVSCIT	108,942	-
			630,575	**-**
Community-Based Child Abuse Prevention Grants	93.590	1001NVFRPG	350,412	293,022
Grants to States for Access and Visitation Programs	93.597	1001NVSAVP	28,367	-
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1001NVCETV	131,194	130,857
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1101NVCETV	450,302	448,056
			581,496	**578,913**
Adoption Incentive Payments	93.603	1001NVAIPP	398,794	325,753
Adoption Incentive Payments	93.603	1101NVAIPP	10,487	8,158
			409,281	**333,911**
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0703NVVOTE	12,242	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-1001NVADBS	59,967	10,491
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-1101NVADBS	348,290	136,711
			408,257	**147,202**
Children's Justice Grants to States	93.643	G-0901NVCJA1	75,794	74,690
Children's Justice Grants to States	93.643	G-1001NVCJA1	131,746	59,212
Children's Justice Grants to States	93.643	G-1101NVCJA1	9,565	-
			217,105	**133,902**
Child Welfare Services_State Grants	93.645	G-1101NV1400	616,453	62,005
Child Welfare Services_State Grants	93.645	G-1201NV1400	1,858,429	186,014
			2,474,882	**248,019**
Foster Care_Title IV-E	93.658	1101NV1401	7,935,445	6,755,977
Foster Care_Title IV-E	93.658	1201NV1401	30,026,127	25,169,209
ARRA - Foster Care_Title IV-E	93.658A	1101NV1402	1,675	1,675
ARRA - Foster Care_Title IV-E	93.658A	1101NV1404	90,141	63,603
ARRA - Foster Care_Title IV-E	93.658A	1201NV1404	38,998	29,693
			38,092,386	**32,020,157**

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Adoption Assistance	93.659	1101NV1407	$ 686,876	$ 441,148
Adoption Assistance	93.659	1201NV1407	15,412,348	14,293,097
ARRA - Adoption Assistance	93.659A	1101NV1405	15,096	1,917
ARRA - Adoption Assistance	93.659A	1201NV1405	1,073	578
			16,115,393	**14,736,740**
Social Services Block Grant	93.667	1001NVSOSR	78,083	-
Social Services Block Grant	93.667	1101NVSOSR	4,149,834	169,547
Social Services Block Grant	93.667	1201NVSOSR	10,157,621	1,028,889
			14,385,538	**1,198,436**
Child Abuse and Neglect State Grants	93.669	G-0801NVCA01	94,626	41,298
Child Abuse and Neglect State Grants	93.669	G-0901NVCA01	16,336	-
			110,962	**41,298**
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1001NVFVPS	238,271	237,851
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1101NVFVPS	990,221	971,736
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1201NVFVPS	22,645	734
			1,251,137	**1,210,321**
Chafee Foster Care Independence Program	93.674	G-1001NV1420	627,965	609,982
Chafee Foster Care Independence Program	93.674	G-1101NV1420	977,824	944,848
			1,605,789	**1,554,830**
ARRA - Preventing Healthcare-Associated Infections	93.717A	3U50CI000489-03S1	49,036	-
ARRA - State Grants to Promote Health Information Technology	93.719A	90HT0037/01	629,046	-
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723A	3U58DP002003-01S2	295,470	19,193
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723A	3U58DP002003-01S3	414,844	331,731
			710,314	**350,924**
ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725A	90RA0042/01	113,322	84,740
State Children's Insurance Program	93.767	05-1005NV5021	5,808,980	-
State Children's Insurance Program	93.767	05-1105NV5021	21,453,123	-
			27,262,103	**-**

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	5-1QACMS030324/03	$ 473,370	$ -
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330742-01-02	547,049	-
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330822-01-02	198,053	1,068
			745,102	**1,068**
National Bioterrorism Hospital Preparedness Program	93.889	5 U3REP090220-03-00	3,198,480	1,812,343
HIV Care Formula Grants	93.917	2 X07HA00001-21-00	7,119,568	1,100,772
HIV Care Formula Grants	93.917	2 X07HA00001-22-00	705,944	73,425
HIV Care Formula Grants	93.917	2 X08HA19854-02-00	42,899	-
HIV Care Formula Grants	93.917	SFY12 Rebates	2,908,103	199,815
			10,776,514	**1,374,012**
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/DP001227-04	139,750	-
HIV Prevention Activities_Health Department Based	93.940	1U62PS003654-01	1,109,815	932,212
HIV Prevention Activities_Health Department Based	93.940	5U62PS923483-07	1,522,284	1,248,122
HIV Prevention Activities_Health Department Based	93.940	NVH10-F999	329,953	329,953
			2,962,052	**2,510,287**
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	3U62PS001038-04W1	187,872	10,490
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	5U62PS001038-04	277,872	155,377
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	5U62PS001038-05	207,982	104,668
			673,726	**270,535**
Block Grants for Community Mental Health Services	93.958	3B09SM010039-11S3	3,217,449	251,528
Block Grants for Community Mental Health Services	93.958	Olmstead Grant	15,327	-
			3,232,776	**251,528**
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08TI010039-10S3	3	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08TI010039-11	8,001,590	6,670,230
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08TI010039-12	4,147,093	3,974,034
			12,148,686	**10,644,264**
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-03	399,341	349,518
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-04	327,161	304,308
			726,502	**653,826**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Preventive Health and Health Services Block Grant	93.991	3B01DP0009040	$ 12,026	$ 11,778
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-10W1	99,436	-
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-11W1	209,317	-
			320,779	**11,778**
Maternal and Child Health Services Block Grant to the States	93.994	1 B04MC21394-01-00	1,479,702	212,019
Total Department of Health and Human Services			**1,337,511,191**	**130,236,753**
Social Security Administration				
Disability Insurance/SSI CLUSTER				
Social Security_Disability Insurance	96.001	04-0904NVDI00	24,143	-
Social Security_Disability Insurance	96.001	04-1004NVDI00	4,951	-
Social Security_Disability Insurance	96.001	04-1104NVDI00	4,003,323	-
Social Security_Disability Insurance	96.001	04-1204NVDI00	10,999,966	-
Total Disability Insurance/SSI CLUSTER			**15,032,383**	**-**
Total Social Security Administration			**15,032,383**	**-**
Department of Homeland Security				
State Domestic Preparedness Equipment Support Program	97.004	2008-IO-T8-0003	335,477	292,319
Urban Area Security Initiative Non-Profit	97.008	2010-UA-TO-0001	72,138	71,250
Boating Safety Financial Assistance	97.012	11.01.32	514,526	-
Boating Safety Financial Assistance	97.012	3312FAS120132	488,000	-
			1,002,526	**-**
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2007-PC-0003	261,346	261,346
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2011-GR-1104	81,782	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2012-GR-1204	1,240	-
			83,022	**-**
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	599	-
Hazard Mitigation Grant	97.039	FEMA-1629-DR	53,728	53,728
National Dam Safety Program	97.041	2010-RC-50-0042	49,182	-
National Dam Safety Program	97.041	EMW-2011-GR-00057	20,925	-
			70,107	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Emergency Management Performance Grants	97.042	2010-EP-EX-0033	$ 512,039	$ 121,663
Emergency Management Performance Grants	97.042	EMW-2011-EP-00054-S01	3,416,038	2,231,905
			3,928,077	**2,353,568**
Cooperating Technical Partners	97.045	EMF-2010-GR-1008	83,260	-
Cooperating Technical Partners	97.045	EMF-2010-GR-1016	25,050	25,050
Cooperating Technical Partners	97.045	EMF-2011-GR-1108	1,322	-
			109,632	**25,050**
Pre-Disaster Mitigation	97.047	EMF-2008-PC-0004	101,388	58,213
Pre-Disaster Mitigation	97.047	EMF-2010-PC-0004	47,594	37,324
Pre-Disaster Mitigation	97.047	EMF-2011-PC-0001	297	297
			149,279	**95,834**
Emergency Operations Centers	97.052	2010-EO-MX-0012	150,743	149,963
Interoperable Emergency Communications	97.055	2009-IP-T9-0022	30,536	18,100
Interoperable Emergency Communications	97.055	2010-IP-TO-0055	280,942	268,944
			311,478	**287,044**
Homeland Security Grant Program	97.067	2007-GE-T7-0010	1,229,365	1,185,262
Homeland Security Grant Program	97.067	2008-GE-T8-0030	2,727,889	2,342,886
Homeland Security Grant Program	97.067	2009-SS-T9-0009	6,180,744	5,472,247
Homeland Security Grant Program	97.067	2010-SS-TO-0007	6,776,022	5,539,754
Homeland Security Grant Program	97.067	EMW-2011-SS-00096-S01	548,979	320,514
			17,462,999	**14,860,663**
Rail and Transit Security Grant Program	97.075	2007-RL-T7-0103	105,603	104,308
Buffer Zone Protection Plan (BZPP)	97.078	2008-BZ-T8-0026	12,784	-
Buffer Zone Protection Plan (BZPP)	97.078	2009-BF-T9-0002	392,682	384,216
Buffer Zone Protection Plan (BZPP)	97.078	2010-BF-T0-0003	1,194,609	1,188,366
			1,600,075	**1,572,582**
Real ID Program	97.089	2008 IDT 80019	701,071	-
Real ID Program	97.089	2009-ID-MX-0009	164,515	-
Real ID Program	97.089	2010-DL-T0-0019-A	167,867	-
Real ID Program	97.089	EMW-2011-DL-00035-S01	125,691	-
			1,159,144	**-**
Total Department of Homeland Security			**26,855,973**	**20,127,655**
Total Federal Financial Assistance			**$ 4,788,523,861**	**$ 711,700,404**

The notes to this Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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.

2. NATIONAL SCHOOL LUNCH PROGRAM (10.555)
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (10.559)
CHILD AND ADULT CARE FOOD PROGRAM (10.558)
COMMODITY SUPPLEMENTAL FOOD PROGRAM (10.565)
FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS (10.567)
EMERGENCY FOOD ASSISTANCE PROGRAM (10.569)
ARRA - EMERGENCY FOOD ASSISTANCE PROGRAM (10.569A)
NUTRITION SERVICES INCENTIVE PROGRAM (93.053)

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

3. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (10.551)

The expenditures reported for the Supplemental Nutrition Assistance Program consist of the value of the benefits transferred to program participants through the EBT system.

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

4. UNEMPLOYMENT INSURANCE PROGRAM (17.225 and 17.225A)

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

State Funds	$1,211,700,560
State Funds - ARRA	421,618,143
Federal Funds	40,567,131
Federal Funds - ARRA	544,096
Total Reported	$1,674,429,930

5. 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 $34,184,337.

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

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

8. DISCLOSURE OF AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES

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

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the basic financial statements of the State of Nevada for the year ended June 30, 2012.

2. Significant deficiencies, not identified as 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. Significant deficiencies, not identified as material weaknesses, and a deficiency identified as a material weakness in the internal control over major Federal award programs were disclosed.

5. The Auditor's report on compliance with the major Federal award programs for the State of Nevada expresses an unqualified opinion for all major programs, except for the Foster Care and Adoption Assistance programs (CFDA 93.658 and 93.659) which were qualified.

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 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

Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557

U.S. Department of Defense:

Military Construction, National Guard, CFDA 12.400

U.S. Department of Labor:

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

Workforce Investment Act (WIA) Cluster:
- WIA Adult Program, CFDA 17.258
- ARRA – WIA Adult Program, CFDA 17.258A
- WIA Youth Activities, CFDA 17.259
- ARRA – WIA Youth Activities, CFDA 17.259A
- WIA Dislocated Workers, CFDA 17.260
- ARRA – WIA Dislocated Workers, CFDA 17.260A
- WIA Dislocated Worker Formula Grants, CFDA 17.278

U.S Department of Transportation:

Highway Planning and Construction Cluster:
- Highway Planning and Construction, CFDA 20.205
- ARRA – Highway Planning and Construction, CFDA 20.205A
- Recreational Trails Program, CFDA 20.219
- Surface Transporation Infrastructure, CFDA 20.933
- Appalachian Development Highway System, CFDA 23.003

U.S. Environmental Protection Agency:

Capitalization Grants for Clean Water State Revolving Funds:
- Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458
- ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A

Capitalization Grants for Drinking Water State Revolving Funds:
- Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
- ARRA – Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

U.S. Department of Energy:

State Energy Program:
- State Energy Program, CFDA 81.041
- ARRA – State Energy Program, CFDA 81.041A

Weatherization Assistance for Low-Income Persons:
- Weatherization Assistance for Low-Income Persons, CFDA 81.042
- ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042A

U.S. Department of Education:

Early Intervention Services (IDEA) Cluster:
- Special Education–Grants for Infants and Families with Disabilities, CFDA 84.181
- ARRA – Special Education–Grants for Infants and Families, Recovery Act, CFDA 84.393A

School Improvement Grants Cluster:
- School Improvement Grants, CFDA 84.377
- ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A

Special Education Cluster:
- Special Education_Grants to States, CFDA 84.027
- Special Education_Preschool Grants, CFDA 84.173
- ARRA – Special Education_Grants to States, CFDA 84.391A
- ARRA – Special Education _ Preschool Grants, CFDA 84.392A

Title I, Part A Cluster:
- Title I Grants to Local Educational Agencies, CFDA 84.010
- ARRA – Title I Grants to LEAs, CFDA 84.389A

Vocational Rehabilitation Cluster:
- Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
- ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

Education Jobs Fund, CFDA 84.410

U.S. Department of Health and Human Services:

Immunization Cluster:
- Immunization Grants, CFDA 93.268
- ARRA – Immunization, CFDA 93.712A

Medicaid Cluster:
ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative, CFDA 93.720A
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
ARRA – Medical Assistance Program, CFDA 93.778A
Child Support Enforcement:
Child Support Enforcement, CFDA 93.563
Foster Care:
Foster Care_Title IV-E, CFDA 93.658
ARRA – Foster Care_Title IV-E, CFDA 93.658A
Adoption Assistance:
Adoption Assistance, CFDA 93.659
ARRA –Adoption Assistance, CFDA 93.659A
Social Services Block Grant, CFDA 93.667

U.S. Department of Homeland Security:

Homeland Security Grant Program, CFDA 97.067

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2012, was $14,365,571.

9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2012 under the criteria set forth in Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 12-1

Criteria and Condition: Generally accepted accounting principles require expenditures to be recorded in the period in which services are provided or goods are received.

During our search for unrecorded liabilities, we noted that a payment made out of the contractor payment system for services provided to the Department of Transportation, between June 18, 2012 and June 29, 2012, was not recorded in accounts payable or expenditures at June 30, 2012.

Effect: Liabilities and expenditures were understated by $5,060,653 in the State Highway Fund.

Cause: The contractor payment system is a module in Advantage (the State's accounting system) that accumulates the daily construction activity on each contract. After the end of a two week period, a payment is issued for the accumulated activity. The system generates the payment using the current date and fiscal year regardless of when the services were provided. The Department of Transportation has in place, a manual process to change the date on the first contractor payment of the new fiscal year (back to the previous fiscal year). However, this contractor payment was inadvertently not recognized to be reported in fiscal year 2012.

Recommendation: We recommend the controls over contract payments be enhanced to include a secondary review of amounts near year end to ensure amounts have been recorded in the proper fiscal year.

Management's Response: The Department of Transportation accepts this recommendation and will implement a secondary review of amounts paid near year end.

Finding 12-2

Criteria and Condition: Generally accepted accounting principles require that when reporting on the modified accrual basis of accounting, financial resources should be considered available when they are due as of year end and are received soon enough after year end to pay liabilities of the current period.

The State defines "soon enough after year end" to be within 60 days of year end. During our testing over accounts receivable in the General Fund, we noted that prescription drug rebates were due as of June 30, 2012 and were received within 60 days of year end; however, they were reported as deferred revenue rather than as an offset to expenditures in the General Fund.

Effect: Expenses were overstated by $19,060,807 in the General Fund and deferred revenue was overstated by that amount in the General Fund.

Cause: Each agency at the State is responsible for its own day to day accounting and for ensuring internal control procedures are in place and adhered to. The Division of Health Care Financing and Policy provided the Controller's Office the amount of prescription drug rebates that were due to the State as of June 30, 2012 and the amounts that were collected within 60 days after year end. The amounts collected were coded to fiscal year 2013 transaction by the Division of Health Care Financing and Policy.

Recommendation: We recommend the controls over the prescription drug rebates and other receivables at the agency level be enhanced to determine that the appropriate fiscal year is being assigned to revenue sources received near the end of the fiscal year.

Management's Response: The Division of Health Care Financing and Policy accepts this recommendation and will work with the Controller's Office to develop and implement a process to ensure we comply with the request.

Finding 12-3

Criteria and Condition	An effective system of internal control over claim payments should include the ability to access, among other things, the input data and underlying support for the payments directly from the system that generated the payments, in a timely manner. During our audit testing over Unemployment Insurance payments, we requested certain information relating to a subset of claim payments, but were informed that such information could not be generated in a timely manner from the system currently being used for the program.
Effect:	Payments to recipients may have been made for incorrect amounts and may not be corrected in a timely manner.
Cause:	The General Unemployment Insurance Development Effort (GUIDE) system utilized by the Nevada Department of Employment, Training and Rehabilitation to process claim payments was not sufficiently functional to extract the data subset of claim payments we requested. We were informed that the data subset would need to be reconstructed manually.
Recommendation:	We recommend the State ensure the new claim payment system, that is being implemented, is able to query and extract data as needed to strengthen the internal controls over claim payments so that errors may be corrected in a timely manner.
Management's Response:	The Department of Employment, Training & Rehabilitation (DETR) recognizes this finding. DETR is implementing a new information system and updating its procedures to correct the finding in the future. Updates on the progress towards implementation of the new system and procedures will be provided as requested.

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

U.S. DEPARTMENT OF LABOR:

Finding 12-4:

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

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

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition and Context: The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies that administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the accounting system, we identified an instance where expenditures related to the ARRA – Unemployment Insurance Special Administration award were not correctly reported to the Controller's Office.

Questioned Costs: None.

Effect: The amounts included on the SEFA for the ARRA - Unemployment Insurance Special Administration award were overstated by $117,944.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate controls and reconciliation procedures to ensure all Federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls and implement a reconciliation process to ensure all Federal expenditures are reported accurately to the Controller's Office for inclusion on the SEFA.

Management's Response: See management's response on page 130.

U.S. DEPARTMENT OF LABOR:

Finding 12-5:

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

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

Criteria: The *OMB Circular A-133 Compliance Supplement* states that Emergency Unemployment Compensation (EUC) benefits are payable to eligible unemployed workers who have exhausted their entitlement to regular compensation and is payable at the same rate as the claimant's regular compensation benefits. Under State Unemployment laws, a worker's benefit rights depends on the amount of the worker's wages and/or weeks of work in covered employment in a "base period." The *Nevada Revised Statute 612.340* states that a person's weekly benefit amount is an amount equal to one twenty-fifth of the person's total wages for employment by employers during the quarter of the person's base period in which the total wages were highest, but not less than $16 per week nor more than the maximum weekly benefit amount.

Condition and Context: During our testing, we reviewed the benefit amounts paid to 25 individuals who received regular compensation and extended benefit payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that one individual's extended benefits for EUC were incorrectly calculated, resulting in a benefit amount that was greater than the amount to which the individual was entitled.

Individuals receiving benefits under extended benefit programs file claims that are attached to their "parent" Unemployment Insurance claim. Once the benefits have been fully exhausted, a new Unemployment Insurance claim can be established at a later date if the individual meets the program requirements. For the individual's claim selected for testing, a system error caused the EUC claim to be attached to the most recent Unemployment Insurance claim rather than the "parent" Unemployment Insurance claim, resulting in the system determining the weekly and maximum benefit amounts based upon wages for an incorrect "base period". As a result, the weekly and maximum benefit calculations exceeded the allowable extended benefit amounts by $128 and $1,373, respectively.

Questioned Costs: Known questioned costs total $2,176, which is comprised of 17 payments of $128 each.

Effect: Incorrect amounts of extended benefits were calculated and paid.

Cause: The Nevada Department of Employment, Training and Rehabilitation utilizes the General Unemployment Insurance Development Effort (GUIDE) system to determine benefit amounts. Due to a system error, the extended benefit amount was calculated from the incorrect Unemployment Insurance claim information. Adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure extended benefit payments were properly calculated.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure that extended benefit payments are properly calculated.

Management's Response: See management's response on pages 130 and 131.

U.S. DEPARTMENT OF LABOR:

Finding 12-6:

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

Grant Award Number:	Potentially affects all grant awards included under CFDA 17.225 and 17.225A on the Schedule of Expenditures of Federal Awards.
Criteria:	The *ET Handbook No. 395, 5th Edition, Benefit Accuracy Measurement State Operations Handbook, Chapter VII, Section 2* (Handbook) states that each case file must contain, at a minimum, a copy of all agency documents from the claimant's original claim file in addition to any documents pertaining to the Benefit Accuracy Measurement (BAM) investigation that were utilized. This includes documentation of the Method of Claimant Identification.
Condition and Context:	As part of our testing over the BAM program, we tested compliance with the requirements relating to the investigative process and data collection and maintenance. The files of 25 completed BAM cases were examined to ensure that all required documentation was included. For one case, support of verification of the claimant's identity to satisfy the Method of Claimant Identification documentation requirement was not included in the file.
Questioned Costs:	None.
Effect:	Unemployment Insurance payments made to ineligible individuals may not be identified.
Cause:	Adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure all required records were obtained and included in the BAM investigation case file.
Recommendation:	We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls to ensure that all required records are obtained and included in the BAM investigation case file.
Management's Response:	See management's response on page 131.

U.S. DEPARTMENT OF LABOR:

Finding 12-7:

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

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

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation is required to submit a performance report, the Trade Act Participant Report (TAPR), for the Unemployment Insurance awards. Participant characteristics, services and benefits received, and outcomes achieved are reported. The *OMB Circular A-133 Compliance Supplement* identifies TAPR key line items that contain critical information, including employment and job retention information and wage record data for quarters after exit.

Our audit procedures included testing information related to a sample of eight participant cases included in the TAPR FY2010, submitted for the quarter ended September 30, 2011, to verify the accuracy of the underlying information for the key line items. For one of those cases, we noted certain employment information and wage amounts reported, specifically for *Employed in fourth full quarter after exit* and *Wages fourth quarter after exit quarter*, did not agree to the underlying records in the General Unemployment Insurance Development Effort (GUIDE) system.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure employment information was accurate and all wages were included in the TAPR.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures over reporting to ensure that the TAPR includes accurate employment and complete wage information.

Management's Response: See management's response on page 132.

BRIAN SANDOVAL
GOVERNOR

Nevada Department of Employment, Training and Rehabilitation

FRANK R. WOODBECK
DIRECTOR

OFFICE OF THE DIRECTOR

March 8, 2013

Ms. Virginia Hamilton, Regional Administrator
U.S. DOL / Employment Training and Administration
90 7th Street, Suite 17-300
San Francisco, CA 94103-1516

Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2012 Single Audit Issues /Concerns

Dear Ms. Hamilton,

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co, CPA's for the Federal Programs administered by the Nevada Department of Employment, Training & Rehabilitation (DETR) for the fiscal year ended June 30, 2012. The audit findings pertain to the Federal Grants /Programs as listed below:

Findings 12-4 thru 12-7 – Unemployment Insurance (UI)

- CFDA 17.225
- ARRA CFDA 17.225A

Findings 12-8 thru 12-9 – Workforce Investment Act (WIA) Cluster

- CFDA 17.258
- ARRA CFDA 17.258A
- CFDA 17.259
- ARRA CFDA 17.259A
- CFDA 17.260
- ARRA CFDA 17.260A
- CFDA 17.278

Please note that the DETR remains fully committed to ensuring compliance with applicable federal laws and regulations. Please feel free to contact me at (775) 684-3911 or my Employment Security Division (ESD) Administrator, Renee Olson, at (775) 684-3909 if you need further assistance.

Sincerely,

Frank R. Woodbeck
Director

500 East Third Street, Room 200 • Carson City, NV 89713 • (775) 684-3911• Fax (775) 684-3908
2800 E. St. Louis Avenue • Las Vegas, Nevada 89104 • (702) 486-7923 • Fax (702) 486-6426

cc: John Humphrey, DOL/ETA – Region 6
Denise Dombek, Nevada Liaison , DOL/ETA – Region 6
Dennis Perea, DETR Deputy Director
Renee Olson, DETR Administrator, ESD
Mark Costa, DETR Chief Financial Officer
Todd Myler, DETR Deputy Chief Financial Officer
Lynda Parven, DETR/ESD Deputy Administrator
Kelly Karch, DETR/ESD Deputy Administrator
Duane Anderson, DETR Chief Auditor
Grant Nielsen, DETR/ESD/WISS
Shannon Ryan, Legislative Counsel Bureau, Deputy Legislative Auditor
Debbie Clark, Kafoury, Armstrong & Co, Audit Manager

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2012

U.S. Department of Labor
Unemployment Insurance **CFDA 17.225, 17.225A**

Finding 12-4
During testing and reconciliation of the Single Audit Reporting Forms (SARF) to the accounting system, we identified an instance where expenditures related to the ARRA – Unemployment Insurance Special Administration award were not correctly reported to the Controller's Office.

Recommendation
We recommend that the Nevada Department of Employment, Training and Rehabilitation (DETR) enhance controls and implement a reconciliation process to ensure all Federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA.

Nevada DETR's Response
Nevada DETR Financial Management (FM) Section will implement a process that involves downloading all expense and revenue totals by job number, which indicates fund source, to reconcile to all SARF's filed for FY 13. These job numbers will then be reconciled to each grant's SARF. This corrective action will occur at the next year-end closure date, anticipated to be around October 2013.

Finding 12-5
During our testing of benefit amounts paid to individuals who received regular compensation and extended benefit payments, we noted that one individual's extended benefits for Emergency Unemployment Compensation (EUC) were incorrectly calculated, resulting in a benefit amount that was greater than the amount to which the individual was entitled by $2,176 (eq., 17 payments of $128 each).

Recommendation
We recommend that Nevada DETR implement controls to ensure extended benefit payments are properly calculated.

Nevada DETR's Response
Nevada Employment Security Division (ESD) reviewed the claim cited above and found the reason for the incorrect calculation was due to a programming error (noted below) that caused the EUC claim to attach to the wrong UI claim. And as part of the overall correction effort initiated in May 2012, the claim in question was then subsequently corrected on November 14, 2012.

Nevada reviewed the programming error that resulted in the incorrect calculation, determined the cause of the error, and implemented programming changes on May 15, 2012, which ensured that no other claims were set up with incorrect EUC calculations.

Nevada also queried our system to identify any other claims that potentially may have had incorrect EUC calculations. Any claims that were identified as potentially having an incorrect EUC calculation were run through a vigorous testing scenario to determine what fixes needed to be implemented on these claims. We are very close to completion of these fixes and anticipate being finished by the end of March, 2013.

Nevada does complete random audits of claims to ensure program integrity. Any issues identified through these audits are researched thoroughly to determine the scope and impact of the problem. Individual claims are corrected immediately and if programming changes are required, contact with IT staff is made and processes for implementing the program changes are developed.

Nevada will be implementing a new computer software system during the summer of 2013 to replace our current 30+ year old operating system. It is expected the new operating system will be able to handle the complexities of the UI claims procedures much more accurately than our current system. We do not anticipate any difficulties with calculating benefit payment amounts no matter what program the claimant is filing against.

Finding 12-6

During our testing of Benefit Accuracy Measurement (BAM) case files, we noted that one case file selected for BAM investigation did not include proper identification of Method of Claimant Identification.

Recommendation

We recommend the Nevada DETR enhance controls to ensure that all required records and reporting documentation is obtained and included in the BAM investigation case file.

Nevada DETR's Response

Nevada ESD reviewed the claim cited above. The claimant did not have proper identification available at the time of their BAM interview. A hold was placed on the claim at that time. Subsequently, the claimant did provide proper identification to the BAM Investigator and the hold on the claim was lifted. However, the documentation of the claimant's identification never got placed into the BAM file which is a paper file.

Current procedure calls for all documents pertaining to the BAM investigation must be placed in the BAM file. The BAM Supervisor reviews 100% of the BAM files. A twice yearly peer review of BAM files is also done to ensure compliance and consistency. The BAM Investigator and any subsequent reviewers failed to make sure the required proper identification documentation was placed in the BAM file.

Nevada will be implementing a new computer software system during the summer of 2013 to replace our current 30+ year old operating system. The new computer system stores all documents in an electronic file. All documents associated with a claim, including BAM documents, will be scanned, indexed and stored electronically. It is expected that all documents will be associated with the proper file.

Finding 12-7

During our testing of the Trade Act Participant Report (TAPR), for one of those cases, we noted certain employment information and wage amounts reported, specifically for *Employed in forth full quarter after exit* and *Wages fourth quarter after exit quarter*, did not agree to the underlying records in the General Unemployment Insurance Development Effort (GUIDE) system.

Recommendation

We recommend the Nevada DETR enhance the procedures over reporting to ensure that the TAPR includes accurate employment and complete wage information.

Nevada DETR's Response

Nevada DETR Workforce Investment Support Services (WISS) Section states that the Trade Act Participant Report (TAPR) for quarter ending September 30, 2011 included 78 reportable participants. The one record, that showed deficiency for *Employed in forth quarter after exit and Wages fourth quarter after exit,* was due to an older version extraction process. There had been changes implemented by Department of Labor to the TAPR requirements that had to be programmed into the extraction. This has been completed, and validation has been completed that the error is eliminated. WISS will continue to complete sample review of the data prior to submission.

<u>U.S. DEPARTMENT OF LABOR</u>:

Finding 12-8:

Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258
ARRA – WIA Adult Program, CFDA 17.258A
WIA Youth Activities, CFDA 17.259
ARRA – WIA Youth Activities, CFDA 17.259A
WIA Dislocated Workers, CFDA 17.260
ARRA - WIA Dislocated Workers, CFDA 17.260A
WIA Dislocated Worker Formula Grants, CFDA 17.278

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation is required to submit quarterly ETA-9130 Financial Reports for each applicable program for the Workforce Investment Act Cluster awards. We tested eleven reports submitted during the fiscal year.

During testing of the ETA-9130 *Local Adult* Financial Report submitted for the quarter ended March 31, 2012 for the grant award AA-21414-11-55-A-32, we noted that the amounts reported for lines 10.e. *Federal Share of Expenditures*, 10.f *Total Administrative Expenditures*, 10.g *Federal Share of Unliquidated Obligations*, 10.o. *Total Federal Program Income Earned* and 10.p. *Program Income Expended* did not agree to the underlying records, which are financial reports prepared by subrecipients.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate review procedures in place to ensure the quarterly ETA-9130 Financial Reports were accurate. The amounts reported were not reconciled to the underlying subrecipient financial reports.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance review procedures to ensure ETA-9130 Financial Reports are accurate and that the amounts reported are reconciled to the underlying subrecipient financial reports.

Management's Response: See management's response on page 136.

<u>U.S. DEPARTMENT OF LABOR</u>:

Finding 12-9:

Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258
ARRA – WIA Adult Program, CFDA 17.258A
WIA Youth Activities, CFDA 17.259
ARRA – WIA Youth Activities, CFDA 17.259A
WIA Dislocated Workers, CFDA 17.260
ARRA – WIA Dislocated Workers, CFDA 17.260A
WIA Dislocated Worker Formula Grants, CFDA 17.278

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258, 17.258A, 17.259, 17.259A, 17.260, 17.260A and 17.278 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation is required to submit a performance report, the ETA-9091 WIA Annual Report, for the WIA Cluster awards. The report is comprised of information from the WIA Standardized Record Data (WIASRD). The WIASRD records contain relevant data on participants' characteristics, activities and outcomes, and that data is included in the Tables in the ETA-9091 WIA Annual Report. The *OMB Circular A-133 Compliance Supplement* identifies WIASRD key line items that contain critical information, including employment and job retention data for *employment after exit quarter* and wage record data for *quarters following exit*.

Our audit procedures included testing information related to a sample of 40 participant cases to verify the accuracy of the underlying information for the key line items in WIASRD.

In three cases, we noted employment outcomes and earnings, specifically outcomes for *employment after exit quarter* and earnings for *quarters following exit*, did not agree to the underlying records. The participants were reported as not employed with zero wages, while this information was not yet available, based on the reporting timeframe and each participant's exit date.

Our sample included participants with earnings in states other than Nevada. In one of those cases, we noted certain wage amounts included in WIASRD, specifically earnings for *quarters following exit*,

	did not agree to the underlying records. Wage amounts from the General Unemployment Insurance Development Effort (GUIDE) and the Wage Record Interchange System (WRIS) were not combined, and only the WRIS wages were included in the data reported. For participants with earnings in Nevada, the Nevada Department of Employment, Training and Rehabilitation obtains wage information from the GUIDE system. For participants with earnings in States other than Nevada, wage amounts are obtained from WRIS to include in WIASRD.
Questioned Costs:	None.
Effect:	Inaccurate information was reported to the Federal granting agency.
Cause:	The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that employment and wage information were accurately included in WIASRD, and subsequently, the ETA-9091 WIA Annual Report.
Recommendation:	We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures for populating WIASRD to ensure that the ETA-9091 WIA Annual Report includes accurate employment and wage information.
Management's Response:	See management's response on pages 136 and 137.

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2012

U.S. Department of Labor
Workforce Investment Act Cluster

WIA & ARRA Adult Programs, CFDA 17.258, 17.258A
WIA & ARRA Youth Activities, CFDA 17.259, 17.259A
WIA & ARRA Dislocated Workers, CFDA 17.260, 17.260A
WIA Dislocated Workers Formula Grants, CFDA 17.278

Finding 12-8
During our testing of the ETA-9130 *Local Adult* Financial Report submitted for the quarter ended March 31, 2012 for the grant award AA-21414-11-55-A-32, we noted that the amounts reported for lines 10.e. *Federal Share of Expenditures,* 10.f. *Total Administrative Expenditures,* 10.g. *Federal Share of Unliquidated Obligations,* 10.o. *Total Federal Program Income Earned, and* 10.p. *Program Income Expended* did not agree to the underlying records, which are financial reports prepared by sub-recipients.

Recommendation
We recommend the Nevada DETR enhance review procedures to ensure ETA-9130 Financial Reports are accurate and that the amounts reported are reconciled to the underlying sub-recipient financial reports.

Nevada DETR's Response
Nevada DETR FM is currently in the process of completing review procedures for the financial reports, and will provide those to the auditors upon completion (anticipated by May 2013). The error discovered during the testing process was simply a case of human error. The error, accompanied by a discussion regarding the review procedures (which may include a reconciliation process, if deemed necessary), has been reviewed in a staff meeting with all applicable participants. DETR resubmitted a corrected report after the testing revealed this mistake.

Finding 12-9
During our testing of the ETA-9091 WIA Annual Report for the WIA Cluster Awards, in three cases, we noted employment outcomes and earnings, specifically outcomes for "employment after exit quarter" and earnings for "quarters following exit" did not agree to the underlying records. The participants were reported as not employed with zero wages, while this information was not yet available, based on the reporting timeframe and each participant's exit date.

Also, with participants with earnings in States other than Nevada, in one case, we noted certain wage amounts included in WIASRD, specifically earnings for "quarters following exit," did not agree to the underlying records. Wage amounts from GUIDE and WRIS were not combined, only the WRIS wages were included in the data reported.

Recommendation
We recommend the Nevada DETR enhance the procedures for populating WIASRD to ensure that the ETA-9091 WIA Annual Report includes accurate employment and wage information.

Nevada DETR's Response
Nevada DETR WISS has discovered the cause for the wage anomalies for the three cases. This is a system bug and will be fixed in a future version of the system (to OSOS). The cause found for the other anomaly involving the combining of Nevada and WRIS wages was found to be a report software bug and will be corrected in a future version of the software.

The amount of wage files associated with the annual report and the size of problem being less than 1 percent is something that cannot be corrected through a manual procedure. The files for wages average size is 800,000 wage matches associated to approximately 100,000 WIA clients; therefore the error rate is within the expected acceptable rate.

U.S. DEPARTMENT OF EDUCATION:

Finding 12-10:

Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements require that charges for fringe benefits such as leave, employee insurance, and pension plans, are equitably allocated to Federal programs and other activities.

Condition and Context: Our audit procedures included testing of salary and fringe benefit costs charged to the Vocational Rehabilitation (VR) program. We examined support for 40 compensation charges. We noted four instances where fringe benefits charged to the VR programs were not equitably allocated to the VR program. The timesheet did not identify which Federal program the leave time and related fringe benefits should be charged to. When this occurs, compensation not coded to a specific program will charge to the default program allocation assigned in the timekeeping system. In these instances, it was set to the VR program and the resulting allocation was not consistent with actual activities performed for the VR program.

Questioned Costs: Known questioned costs are $1,365.

Effect: Unallowable costs were charged to the Federal program.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that all fringe benefit costs charged to the Federal program were allowable and equitably allocated to the Federal program.

Recommendation: We recommend that the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure that all fringe benefit costs charged to the Federal program are allowable and equitably allocated to the Federal program.

Management's Response: See management's response on page 141.

BRIAN SANDOVAL
GOVERNOR

Nevada Department of Employment, Training and Rehabilitation

FRANK R. WOODBECK
DIRECTOR

OFFICE OF THE DIRECTOR

March 8, 2013

Ms. Christyne Cavataio, Vocational Rehabilitation Program Specialist
U.S. Department of Education, OSERS
Rehabilitation Services Administration, SMPID
550 12th Street, S.W., Room 5017
Washington, D.C. 20202-2800

Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2012 Single Audit Issues /Concerns

Dear Ms. Cavataio,

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co. CPAs for Federal Program administered by the Nevada Department of Employment, Training and Rehabilitation (DETR) for the fiscal year ended June 30, 2012. The specific audit findings pertaining to the Rehabilitation Services Administration (RSA) Federal Grants/Programs are listed below:

Findings 12-10 – Vocational Rehabilitation Cluster
- Rehabilitation Services – CFDA 84.126
- ARRA Rehabilitation Services – ARRA CFDA 84.390A

Please note that the DETR management remains fully committed to ensuring compliance with applicable federal laws and regulations. Please feel free to contact me at (775) 684-3911 or my Deputy Director, Dennis Perea at (702) 486-6637 if you need further assistance.

Sincerely,

Frank R. Woodbeck
Director

500 East Third Street, Room 200 • Carson City, NV 89713 • (775) 684-3911• Fax (775) 684-3908
2800 E. St. Louis Avenue • Las Vegas, Nevada 89104 • (702) 486-7923 • Fax (702) 486-6426

cc: Dennis Perea, DETR Deputy Director
Maureen Cole, DETR Administrator, Vocational Rehabilitation Division
Mark Costa, DETR Chief Financial Officer
Todd Myler, DETR Deputy Chief Financial Officer
Duane E. Anderson, DETR Chief Auditor
Shannon Ryan, Legislative Counsel Bureau, Deputy Legislative Auditor
Debbie Clark, Kafoury, Armstrong & Co, Audit Manager

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2012

U.S. Department of Education
Vocational Rehabilitation Cluster

Rehabilitation Services, Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA - Rehabilitation Services, Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

Finding 12-10
In testing salary and fringe benefit costs charged to the Vocational Rehabilitation (VR) Program, we noted four instances where fringe benefits charged to the VR Programs were not equitably allocated to the VR Program. There were discrepancies between the programs reported via the employee timesheets versus the actual program allocations made.

Recommendation
We recommend the Nevada DETR implement procedures to ensure that all fringe benefit costs charged to the Federal program are allowable and support equitable allocations to the Federal program.

Nevada DETR's Response
DETR Financial Management has been working on finding a suitable fix for this issue by collaborating with the State's Central Payroll and with DETR IT staff. Though an initial fix was planned to be implemented by December 2012, unanticipated challenges arose that have caused DETR to rethink the initial strategy of having every employee code leave time consistently to what paid regular time is coded.

At this time, DETR is exploring various options, including a complete rework of its Department of Labor approved Cost Allocation Plan and possible development of new system software. Though, the final decision related to this fix is now again back to its initial phases, DETR is hopeful that a finalized plan can be completed by July 1, 2013. Please note that actual implementation of such changes would not occur until well after this date, which would first have to include a final approval by U.S. DOL. DETR will inform the U.S. Department of Education and Kafoury Armstrong of future developments in this regard. In the interim, DETR will institute a manual process to provide a more accurate reporting of fringe benefit costs charged to Federal programs.

<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>:

Finding 12-11:

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

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

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition and Context: The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies that administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the accounting system, we found instances where expenditures related to Foster Care grant 1201NV1401 and Adoption Assistance grant 1201NV1407 were not correctly reported to the Controller's Office.

The amounts reported as Federal expenditures and payments to subrecipients for the Foster Care program were both overstated by approximately \$258,600. Total Federal expenditures reported for the Adoption Assistance program were overstated by approximately \$97,200, and the amount reported as passed through to subrecipients for that program was overstated by approximately \$295,700.

Questioned Costs: None.

Effect: Amounts included on the SEFA for the Foster Care and Adoption Assistance programs were not accurate.

Cause: The Nevada Division of Child and Family Services did not have adequate controls in place to ensure Federal expenditures were accurately reported to the Controller’s Office for inclusion on the SEFA.

Recommendation:	We recommend the Nevada Division of Child and Family Services enhance controls to ensure all Federal expenditures are reported accurately to the Controller’s Office for inclusion on the SEFA.
Management’s Response:	See management’s response on pages 152 anf 153.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 12-12:

Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A

Grant Award Number:	Potentially affects all grant awards included under CFDA 93.658 and 93.658A on the Schedule of Expenditures of Federal Awards.
Criteria:	The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include ensuring that benefits paid to or on behalf of the individuals are in compliance with the requirements of the program. In order to receive the Federal share of Foster Care payments, the State must have determined that the child is eligible under the IV-E program. The determination includes the requirement that within 60 days from the date of the removal from the home, there must be a judicial determination as to whether reasonable efforts were made or were not required to prevent the removal (45 CFR section 1356.21(k)(ii)).
Condition and Context:	As part of our testing over eligibility, we reviewed a sample of 40 Foster Care cases to ensure that eligibility determinations were supported by required documentation and payment amounts were correct. We noted one instance in which the court documents did not include language indicating that reasonable efforts were made or not required to prevent removal from the home.
Questioned Costs:	Undetermined.
Effect:	Federal reimbursement was received for a child whose eligibility determination was not supported by all the required documentation.
Cause:	The Nevada Division of Child and Family Services did not have adequate controls in place to ensure that all required documentation to support Foster Care eligibility was obtained.
Recommendation:	We recommend the Nevada Division of Child and Family Services enhance controls to ensure that all required documentation to support Foster Care eligibility is obtained.
Management's Response:	See management's response on page 153.

<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>:

Finding 12-13:

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

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

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by the underlying records.

Condition and Context: The Nevada Division of Child and Family Services is required to submit quarterly CB-496: Title IV-E Programs Financial Reports. We selected one of the four quarterly reports submitted during the year for testing.

During testing of the Section A: Foster Care Program portion of the CB-496 report submitted for the quarter ended March 31, 2012, it was noted that the amounts reported on Line 8. *In-Placement Administrative Costs – Agency Management* and Line 15. *Training Costs – Staff and Provider* were not supported by the underlying records. Expenditures of $24,517 that should have been reported on Line 8, which includes costs reimbursable at 50%, were incorrectly included on Line 15, which includes costs reimbursable at 75%. This caused the total Federal share of expenditures and amount claimed for the Foster Care program to be overstated by $6,129.

In addition, during testing of the Section B: Adoption Assistance Program portion of the CB-496 report, we noted that Line 23. *Administrative Costs – Agency*, Line 24. *Administrative Costs - Non-Recurring* and Line 25. *Training Costs – Staff and Provider* did not reconcile to the underlying records. Expenditures of $647 of *Administrative Costs – Agency*, which were reimbursable at 50%, were incorrectly included on *Line 25. Training Costs – Staff and Provider*, which is reimbursable at 75%. We also noted that $5,700 of expenditures were not included on *Line 24. Administrative Costs - Non-Recurring*, which are reimbursable at 50%. These variances caused the net Federal share of expenditures for the Adoption Assistance program to be understated by $2,688.

Questioned Costs: None.

Effect:	Inaccurate information was reported to the Federal granting agency.
Cause:	The Nevada Division of Child and Family Services did not have adequate procedures in place to ensure amounts included on the CB-496 Quarterly Financial Report were accurately reported.
Recommendation:	We recommend the Nevada Division of Child and Family Services enhance the procedures to ensure that amounts included on the CB-496 Quarterly Financial Report are accurately reported.
Management's Response:	See management's response on page 153.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 12-14:

Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A

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

Criteria: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

Condition and Context: The Foster Care Title IV-E program was covered by the State of Nevada Treasury-State Agreement for fiscal year 2012. The terms of that agreement specify that the recipient will request Foster Care Program (non-administrative costs, such as maintenance payments) funds in accordance with the Actual Drawdown – Weekly funding technique.

The Actual Drawdown – Weekly funding technique provides that the State shall request Program cost reimbursement on a weekly basis based on actual expenditures incurred in the prior weekly period.

We tested three reimbursement requests for Foster Care Program costs and noted that the Nevada Division of Child and Family Services calculated the amount of Federal funds to request for Foster Care maintenance payments using an estimate based on cost allocation percentages and Federal participation rates. Although a quarterly reconciliation was performed to true-up variances, the estimation of Foster Care Program costs does not comply with the funding technique prescribed by the Treasury-State Agreement.

Questioned Costs: None.

Effect: Because requests for Federal funds were not always made in accordance with the terms of the Treasury-State Agreement, an interest liability could result.

Cause: The Nevada Division of Child and Family Services did not adhere to the funding technique described in the Treasury-State Agreement.

Recommendation: We recommend the Nevada Division of Child and Family Services adhere to the funding technique described in the Treasury-State Agreement.

Management's Response: See management's response on page 154.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 12-15:

Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A

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

Criteria: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into Treasury-State Agreements which document the accepted funding techniques for selected large programs, as well as methods for calculating interest. As part of the Agreement, annually the State must calculate and report both Federal and State interest liabilities for each covered program based on daily cash balances of Federal program funds.

Condition and Context: To comply with the Agreement, the State Controller's Office has established written policies, *Accounting Policies and Procedures*, which provide that all State agencies that are recipients of Federal assistance must identify the receipt and use of the assistance. The identification must incorporate the Catalog of Federal Domestic Assistance (CFDA) number and be reflected in the records of the State central accounting system or another accounting system approved by the Controller. This coding, when performed timely, allows for the monitoring of daily cash balances and the calculation of interest liabilities for programs covered under the CMIA.

The Foster Care Title IV-E program was covered by the State of Nevada Treasury-State Agreement for fiscal year 2012. We performed procedures to determine whether the State complied with the terms and conditions of the Treasury-State Agreement and that the interest liabilities reported were accurate. During our testing at the Division of Child and Family Services, we found that approximately $3,972,800 of Foster Care Federal expenditures were not coded as such in the central accounting system during the fiscal year, and did not include the CFDA number. After June 30, 2012 an adjustment was made to identify those amounts as Foster Care costs in the accounting system. As a result of those costs not being identified in the system as they were incurred, the daily cash balances used for the annual interest calculation were not accurate.

The Controller's Office was not informed of the coding changes for those amounts, and no subsequent adjustment was made to the interest

	calculation to ensure an accurate amount was reported on the CMIA Annual Report.
Questioned Costs:	None.
Effect:	State and Federal interest liabilities for the Foster Care program could not be accurately calculated for inclusion on the CMIA Annual Report.
Cause:	The Nevada Division of Child and Family Services personnel did not identify the receipt and use of Federal assistance in the accounting system in a timely manner.
Recommendation:	We recommend the Nevada Division of Child and Family Services personnel identify the receipt and use of Federal assistance in the accounting system in a timely manner.
Management's Response:	See management's response on page 154.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 12-16:

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

Grant Award Number:	Potentially affects the grant awards included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.
Criteria:	A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and their conformance with the general policies and principles stated in OMB Circular A-87, Attachment A, which provide that costs must be necessary and reasonable for the performance and administration of the Federal award, and be adequately documented.
Condition and Context:	As part of our audit procedures for the Foster Care Title IV-E program, we performed testing over cash draws to determine whether the State complied with cash management requirements and to verify that reimbursement requests were for actual costs that were adequately documented. For one of three requests tested, we found that the amount being requested related to costs that were not adequately documented as Foster Care program costs. The State program personnel provided that during the preparation of the request for reimbursement of Adoption Assistance program costs, it was noted that the draw would have resulted in a deficit balance for the Adoption Assistance program award. To avoid overdrawing Adoption Assistance funds, the excess amount needed was drawn against available Foster Care funds. The amount drawn was used to reimburse a subrecipient for Adoption Assistance program costs.
Questioned Costs:	$1,519,460.
Effect:	Foster Care program funds were drawn to pay for costs that were attributable to the Adoption Assistance program.
Cause:	The Nevada Division of Child and Family Services did not have adequate procedures in place to monitor Federal award balances and to ensure that funds were drawn only for allowable program costs.
Recommendation:	We recommend the Nevada Division of Child and Family Services enhance procedures to monitor Federal award balances and to ensure that funds are drawn only for allowable program costs.
Management's Response:	See management's response on pages 154 and 155.

BRIAN SANDOVAL
Governor

STATE OF NEVADA

MICHAEL J. WILLDEN
Director

AMBER HOWELL
Administrator

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 11, 2013

Mr. Joseph M. Lonergan
Director, Office of Mandatory Grants
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, SW
Washington, D.C. 20447

Dear Mr. Lonergan:

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co., CPA's for Federal Programs administered by the State of Nevada, Division of Child and Family Services (DCFS) for the fiscal year ended June 30, 2012. The audit findings pertain to the Federal Title IV-E Programs listed below:

Foster Care – CFDA 93.658
ARRA - Foster Care – CFDA 93.658A
Adoption Assistance – CFDA 93.659
ARRA - Adoption Assistance – CFDA 93.659A

Kafoury, Armstrong & Co. audit findings 12-11 through 12-16 concern these Federal Title IV-E programs. This letter serves as our response to the findings and recommendations:

Finding 12-11 resulted in the following recommendation:
We recommend the Nevada Division of Child and Family Services enhance controls to ensure all Federal expenditures are reported accurately to the Controller's Office for inclusion on the Schedule of Expenditures of Federal Awards (SEFA).

DCFS Response:
The Division of Child and Family Services has reviewed and accepts this finding. The auditor noted amounts reported as Federal expenditures and payments to subrecipients for the Foster Care program were both overstated by approximately $258,600. Total Federal expenditures reported for the Adoption Assistance program were overstated by approximately $97,200, and the amount reported as passed-through to subrecipients for that program was overstated by approximately $295,700.

During the reconciliation process at the end of the State Fiscal Year it was discovered that a Title IV-E revenue draw included costs applicable to SFY13 and the entire draw amount was deposited to SFY12. A Journal Voucher correction was processed to move the revenue to the correct fiscal year. All deposits, and adjustments, are posted to a spreadsheet by the Management Analyst II that completes the draws.

This spreadsheet not only tracks the draws but also the amounts that would be reported on the Single Audit Reporting Form (SARF). Due to the adjustment being done through the reconciliation process and not the draw process, the journal voucher was not posted to the spreadsheet that was used for tracking SARF information timely, resulting in the overstated expenditures on the SARF.

Corrective Action:
Controls have been implemented immediately to ensure any adjustments made will require a job number reconciliation be performed prior to being processed and be included in the backup documentation before they are processed. An additional supervisory review process and coordination between the Management Analyst II, the Management Analyst IV and the ASO III to ensure reconciliations are done during the year to avoid the rush at the end of the fiscal year. This will be added to the procedure that is followed for draws and federal reporting.

Finding 12-12 resulted in the following recommendation:
We recommend the Nevada Division of Child and Family Services enhance controls to ensure that that all required documentation to support Foster Care eligibility is obtained.

DCFS Response:
The Division of Child and Family Services has reviewed and accepts this finding. The auditor noted that Federal reimbursement was received for a child whose eligibility determination was not supported by all the required documentation. The judicial determination required language to the effect that reasonable efforts have been made to prevent the removal of the child from the home. Although the judicial determination obtained the language, it did not list what the specific efforts were.

Corrective Action:
Training was provided to the DCFS eligibility unit. The eligibility team is also in mid process of providing statewide eligibility training to all rural child welfare staff to help bring awareness to the detailed required documentation that must be obtained during court proceedings. Child welfare staff that participates in the court proceedings can help to ensure the required language is obtained during the judicial determination. In addition, the Administrator will be presenting this finding and the case review findings that were performed by DCFS to the Court Improvement Program (CIP), Chaired by Chief Justice Nancy Saitta to bring awareness to the courts regarding this finding and need for improvement.

Finding 12-13 resulted in the following recommendation:
We recommend the Nevada Division of Child and Family Services enhance the procedures to ensure that amounts included on the CB-496 Quarterly Financial Report are accurately reported.

DCFS Response:
The Division of Child and Family Services accepts this finding and is initiating corrective action steps as noted below.

Corrective Action:
The DCFS fiscal unit has experienced high turn-over in the Management Analyst IV position responsible for this task. During the quarter tested new staff was introduced to this process. In the training of the completion of this report with this Management Analyst, the procedure will be enhanced to ensure it covers the areas of weakness discovered in this finding. Any new staff will be trained with the enhanced procedure. The double check of the documents will also be added to the procedure to ensure that when it is checked, it is signed off as being reviewed. The enhanced procedure will be utilized to prepare the next federal quarterly report and the audit finding adjustments will be added to the next report as prior quarter adjustments to ensure the awards reflect the correct amounts.

Finding 12-14 resulted in the following recommendation:
We recommend the Nevada Division of Child and Family Services adhere to the funding technique described in the Treasury-State Agreement.

DCFS Response:
The Division of Child and Family Services accepts this finding and has initiated immediate corrective action steps to process the actual drawdown - weekly funding technique to request program (non-administrative costs, such as maintenance payments) cost reimbursement on a weekly basis based on actual expenditures incurred in the prior weekly period.

Corrective Action:
Federal draws are being processed to cover Foster Care and Adoption Assistance maintenance payments on a weekly basis based on payments processed through UNITY and Advantage. Procedures will be updated to ensure they adhere to the Treasury-State Agreement. Each year upon renewal of the agreement, the Division will work with the State Controller's Office to ensure the agreement meets the requirements of the Cash Management Improvement Act and defines the Divisions specific methods for drawing the Federal Title IV-E maintenance payments and administrative costs reimbursements.

Finding 12-15 resulted in the following recommendation:
We recommend the Nevada Division of Child and Family Services personnel identify the receipt and use of federal assistance in the accounting system in a timely manner.

DCFS Response:
The Division of Child and Family Services accepts this finding. The Division attempts to adhere to the Accounting Policies and Procedures established by the Controller's Office and have all federal expenditures including administrative costs have a job number represented at the close of the fiscal year. The Division worked with the State Controller's Office during closing in an attempt to code all federal costs to the Federal Title IV-E job numbers. The discrepancies identified by the auditors represent the total expenditures for SFY12 administrative costs for the 3 administrative budget accounts. Historically the administrative expenditures for these budget accounts have not been coded with job numbers for the Title IV-E administrative costs that are allocated through the Division's quarterly cost allocation process.

Corrective Action:
DCFS has implemented enhanced procedures and to ensure Administrative expenditures are being coded to the appropriate job number following the completion of the quarterly administrative cost allocation report. The procedure also includes a final year-end reconciliation of administrative costs prior to fiscal year closing.

Finding 12-16 resulted in the following recommendation:
We recommend the Nevada Division of Child and Family Services enhance procedures to monitor Federal award balances and to ensure that funds were drawn only for allowable program costs.

DCFS Response:
The Division of Child and Family Services has reviewed and accepts this finding. It was noted by the auditor that Foster Care program funds were drawn to pay for costs that were attributable to the Adoption Assistance program. DCFS has initiated immediate corrective action steps to ensure all draws related to individual CFDA numbers are treated as individual awards under the Title IV-E Program. The Division's draw procedures have been enhanced to ensure funds are only drawn for applicable program areas and have already begun completing corrective action steps as outlined below.

Corrective Action:
DCFS is conducting an internal audit of all the Federal Title IV-E program costs to verify that federal reimbursements requests reconcile to the applicable foster care and adoption assistance expenditures in the five agency budget accounts receiving Federal Title IV-E funds and balance to the Federal Awards for each program area. The Division will submit prior quarter adjustments on the CB-496 report for the remaining open quarters under the Title IV-E entitlement program to reflect the reconciling adjustments.

The Division truly appreciates the time your agency has spent in conducting this audit and for providing us feedback to improve our internal procedures. Your audits historically, and in the future, are a valuable asset to improving our Division.

If additional information is required, please contact Danette Kluever, Deputy Administrator Support Services at 775 684-4414 or by email at dkluever@dcfs.nv.gov.

Sincerely,

Danette Kluever

for Amber Howell, Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Co., CPA
Michael Willden, Director, Department of Health and Human Services
Ellen Crecelius, Deputy Director, Department of Health and Human Services
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau, Audit Division
Jeff Morrow, ASO IV, Division of Child and Family Services
Priscilla Colegrove, ASO III, Division of Child and Family Services
DCFS, Auditor File, Division of Child and Family Services

U.S. DEPARTMENT OF AGRICULTURE:

Finding 12-17:

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: As noted in *OMB Circular A-133,* a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

Condition and Context: The Nevada State Health Division did not issue timely management decisions for its subrecipients' audit findings or ensure corrective actions were taken.

As part of our audit procedures, we tested three of the 17 subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that one subrecipient's audit report included a WIC program audit finding and that the Nevada State Health Division did not issue a management decision or ensure the subrecipient took timely and appropriate corrective action.

Questioned Costs: None.

Effect: Noncompliance at the subrecipient level may continue to occur if the Nevada State Health Division does not issue timely management decisions and monitor the corrective action plan.

Cause: The Nevada State Health Division did not have adequate procedures in place to issue timely management decisions, when required, and monitor the corrective action plan.

Recommendation: We recommend the Nevada State Health Division enhance procedures to issue timely management decisions, when required, and monitor the corrective action plan.

Management's Response: See management's response on pages 157 and 158.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director

RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION
4150 Technology Way, Suite 300
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Telephone: (775) 684-4200 · Fax: (775) 684-4211

February 28, 2013

Ronna Bach, Division Director
USDA Food and Nutrition Service, Western Region
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Ms. Bach:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2012. Included in the audit was the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557.

The following response is provided in response to the December 11, 2012 audit of our Division.

Finding 12-17 resulted in the following recommendation:

"We recommend the Nevada State Health Division enhance procedures to issue timely management decisions, when required, and monitor the corrective action plan."

Nevada State Health Division Response:

The Nevada State Health Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-17:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- All reports will be initially reviewed by the Contract Monitor to determine if there are any findings. If no findings, the contract monitor will initial the audit report and file. If there are findings, the contract monitor will send the report to the Administrative Services Officer IV for the Division, who will review the findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget account responsible for the individual sub-recipient agreements. This person will then implement the action required, in consultation with the ASO IV, up to and including corrective action plans, and follow up until the required action is complete. The policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities have been updated.

- Once reviewed, the Administrative Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions will be implemented by April 30, 2012. Colman Schmidt, Management Analyst II, is the contact person responsible for corrective action. The Administrative Services Officer IV, Stacey Johnson, is the high level management official responsible for ensuring that appropriate corrective action is implemented.

If additional information is required, please contact Stacey Johnson, Administrative Services Officer IV, at 775-684-4262 or by e-mail at sljohnson@health.nv.gov .

Sincerely,

Richard Whitley, Administrator

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael Willden, Director, Department of Health and Human Services
Ellen Crecelius, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division
Stacey Johnson, ASO IV, Department of Health and Human Services, Health Division
Deborah Harris, Bureau Chief, Department of Health and Human Services, Health Division
Bureau of Child, Family and Community Wellness

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 12-18:

Social Services Block Grant, CFDA 93.667:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.

Criteria: As noted in *OMB Circular A-133,* State cost principles requirements apply to the Social Services Block Grant program. The State of Nevada allocates costs in compliance with *OMB, Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, which provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards the cost must be adequately documented and allocable to the Federal award. A cost is allocable to a cost objective if the goods or services involved are assignable to a cost objective in accordance with relative benefits received.

Condition and Context: As part of our testing over Allowable Activities and Costs for the Social Services Block Grant (SSBG), we tested 26 transactions for conformance with the criteria in *OMB Circulars A-133* and *A-87*. One of the transactions tested related to a wireless telephone bill, which included charges for eight cell phone lines. The costs for the individual phone lines were allocated to various programs, and the cost of two phone lines was charged to the SSBG program. We examined the billing statement and noted that only one phone line was related to a Social Services Block Grant program-funded employee, and approximately five percent of that employee's time is SSBG program-funded.

Questioned Costs: None.

Effect: Amounts charged to the Social Services Block Grant program may be in excess of the benefits received.

Cause: The Nevada State Health Division did not have adequate procedures in place to ensure that amounts charged to the Federal program were appropriately allocated.

Recommendation: We recommend that the Nevada State Health Division enhance procedures to ensure that amounts charged to Federal programs are appropriately allocated.

Management's Response: See management's response on pages 160 and 161.

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIRECTOR'S OFFICE
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Carson City, Nevada 89706
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http://dhhs.nv.gov

February 27, 2013

Ms. Lydia Peele
Office of Community Services
Administration for Children and Families
U. S. Department of Health and Human Services
370 L' Enfant Promenade, SW
Washington, DC 20447

Dear Ms. Peele:

Kafoury, Armstrong & Co. CPAs performed an annual Single Audit of the Title XX Social Services Community Block Grant, CFDA 93.667, active during the Nevada fiscal year 2012, which ended June 30, 2012. The grant is administered by the Department of Health and Human Services, Director's Office.

<u>Finding 12-18 resulted in the following recommendation:</u>
"We recommend that the Nevada State Health Division enhance procedures to ensure that amounts charged to Federal programs are appropriately allocated."

<u>Nevada State Health Division Response:</u>
The Nevada State Health Division accepts this finding and has initiated corrective action as noted below and the person responsible for this finding is Stacey Johnson. Ms. Johnson can be reached at 775-684-4262.

<u>Corrective Action for Finding 12-18:</u>
During state fiscal year 2011 and most of state fiscal year 2012, coding of bills was not allocated on each monthly bill according to the Nevada State Health Division cost allocation methodology. Instead, each budgeted funding source was used to pay bills until that funding source was exhausted. The correct way would have been to allocate the correct percentage of each bill to each revenue source using the established cost allocation methodologies and also based on the positions being funded in each funding source. Starting July 1, 2013, the Nevada State Health

Division has consistently applied the cost allocation methodologies to all expenditures and ensures the results comply with applicable sub-grant agreements.

If you have any questions regarding this response, please feel free to contact me at 775-684-3494 or via e-mail at blong@dhhs.nv.gov.

Sincerely,

Bonnie Long

Bonnie Long
Administrative Services Officer III

cc: Shannon Ryan, Deputy Legislative Auditor, Legislative Council Bureau
Debbie Clark, CPA, Kafoury, Armstrong & Co.
Ellen Crecelius, Deputy Director, Fiscal Services, DHHS, Director's Office
Laurie Olson, Chief, Grants Management Unit, DHHS, Director's Office
Stacey Johnson, Administrative Services Officer IV, Health Division, Administration

<u>U.S. DEPARTMENT OF EDUCATION</u>:

Finding 12-19:

Early Intervention Services (IDEA, Part C) Cluster:
Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181:
ARRA - Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A:

Grant Award Number: Affects grant award number H393A090019 included under CFDA 84.393A on the Schedule of Expenditures of Federal Awards.

Criteria: As noted in the *OMB Circular A-133 Compliance Supplement, Part 4 – Department of Education Cross-Cutting Section*, ARRA funds will remain available for obligation by State Educational Agencies until September 30, 2011, which includes the one-year carryover period authorized under section 421(b) of the General Education Provisions Act (Section 1603 of ARRA and 20 USC 1225(b)). When an obligation occurs depends on the type of property or services that the obligation is for. For example, if an obligation is for public utility services, the obligation is made when the State receives the services; also, if an obligation is for travel, the obligation is made when the travel is taken. The act of a State awarding Federal funds to another eligible entity within the State does not constitute an obligation for the purpose of this compliance requirement.

Condition and Context: We tested a sample of 25 disbursements, two of which related to IDEA, Part C, ARRA funds, to ensure that the costs were allowable and that they were incurred within the periods of availability specified by the grant awards.

The State Aging and Disability Services Division (ADSD) is the IDEA, Part C, grant recipient, and they awarded a portion of the Federal ARRA funds to the Nevada State Health Division (NSHD) to administer the provision of therapeutic services to children under the age of three by various service providers. One ARRA disbursement tested was for travel expenses incurred on November 14, 2011 by a therapist employed by a service provider, but there was no documentation to support that the cost was obligated prior to September 30, 2011. ADSD personnel represented that they considered the agreement with the NSHD, which was made prior to September 30, 2011, to be a subgrant, and that they considered the funds to be obligated prior to September 30, 2011 under that agreement.

We scanned Record Dates and Descriptions of 28 additional randomly selected IDEA, Part C, ARRA disbursements and noted other costs paid through the NSHD, such as temporary staffing services and monthly phone line charges, that appeared to have been incurred after September 30, 2011 and paid for with IDEA, Part C, ARRA funds.

Questioned Costs: Known questioned costs are $197.

Effect:	The State received IDEA, Part C, ARRA funds that it was not entitled to.
Cause:	The Aging and Disability Services Division did not have adequate procedures in place to ensure that disbursements reimbursed with IDEA, Part C, funds, including those administered by the NSHD, were obligated within the period of availability of the grant funds.
Recommendation:	We recommend the Aging and Disability Services Division enhance procedures to ensure that disbursements reimbursed with IDEA, Part C, funds, including those administered by the NSHD, are obligated within the period of availability of the grant funds.
Management's Response:	See management's response on pages 164 through 171.

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
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BRIAN SANDOVAL
Governor

MICHAEL WILLDEN
Director

JANE GRUNER
Administrator

March 8, 2013

Ms. Melody Musgrove, Ed.D., Director
U.S. Department of Education
Office of Special Education Programs
400 Maryland Ave. S.W.
Washington, DC 20202-2600

RE: Response to Audit Finding for Special Education Grants for Infants and Families with Disabilities, CFDA 84.181

Dear Director Musgrove,

Kafoury, Armstrong & Co. CPAs performed a Single Audit of the Special Education Grants for Infants and Families with Disabilities, CFDA 84.393A (IDEA Part C ARRA) administered by the Nevada Aging and Disability Services Division for the state fiscal year ended June 30, 2012.

<u>Audit Finding 12-19 resulted in the following recommendation:</u>
We recommend the Aging and Disability Services Division enhance procedures to ensure that disbursements reimbursed with IDEA Part C funds, including those administered by the NSHD, are obligated within the period of availability of the grant funds.

<u>Aging and Disability Services Division (ADSD) Response:</u>
Aging and Disability Services Division fiscal and program staff reviewed the questioned documents. The travel claim & temporary staffing services were paid to vendors who hold valid contracts with the state of Nevada. In order to use these contracts, the division was required to complete a "Justification to Fill Temporary/Contract Position" for each contracted individual. This document specifies the individual's name, their rate of pay, their duties and the time frame the services must be performed. These were all completed prior to the end of the grant.

The two monthly phone line charges were for the MSA contractors completing the necessary technology changes which were obligated from the ARRA funding in April and May of 2011.

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(702) 486-3572 Fax

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Reno, Nevada 89502
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Elko Regional Office
1010 Ruby Vista Dr., Ste. 104
Elko, Nevada 89801
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(775) 753-8543 Fax

According to 34 CFR 76.707, personal services by a contractor who is not an employee of the State or subgrantee are considered obligated on the date on which the State or subgrantee makes a binding written commitment to obtain the work.

Therefore, the questioned costs paid to the contracted vendors meet the above requirements, were expended to provide services to infants and toddlers, and were obligated appropriately.

The division has written policies/procedures for federal grants management to ensure federally funded grant programs are managed in compliance with all applicable federal and state laws and regulations. However, to assure grant funds are expended appropriately, these policies/ procedures have been enhanced to specify the obligation process.

Corrective Action:
As recommended, the division has revised and implemented their Federal Grants Management policy to accurately reflect the obligation and expenditure of funds.

If there are any questions or concerns regarding our response or corrective action plan, please do not hesitate to contact Lori Goulart, ASO 3, at 775-687-0511 or lgoulart@adsd.nv.gov for assistance.

Sincerely,

Jane Gruner

Jane Gruner,
Administrator, Aging and Disability Services Division

CC: Debbie Clark, Kafoury, Armstrong & Co.
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau
Liz O'Brien, Budget Analyst 4, Department of Administration
Ellen Crecelius, DHHS Deputy Director
Tina Gerber-Winn, Deputy Administrator, ADSD
Janet Murphy, Deputy Administrator, ADSD
Lori Goulart, ASO 3, ADSD

CHAPTER 13 FEDERAL GRANTS MANAGEMENT

1. Purpose

The Purpose of this policy is to prescribe standards for a financial management system for all federally funded grant programs for Aging and Disability Services Division (ADSD) in accordance with all federal and state laws.

2. Units Affected

All ADSD units will comply with this policy.

3. Policy

All federal grants received by ADSD will be managed in compliance with all applicable federal and state laws and regulations.

4. Definitions

4.1 ADSD – Aging & Disability Services Division
4.2 RD Unit – ADSD's Resource Development Unit.
4.3 Fiscal Unit – The Division's Fiscal Unit located in the Carson City office.
4.4 NOGA – Notification of Grant Award
4.5 SAM – State Administrative Manual
4.6 AoA – Administration on Aging
4.7 OAA – Older American's Act
4.8 BSR – Budget Status Report - issued from the Integrated Financial System by the state Controller's Office weekly for each budget account
4.9 FFR – Federal Financial Report
4.10 NGA – Notification of Grant Award to sub-grantees
4.11 IFS – Integrated Financial System – Advantage
4.12 PMS Report - Federal Payment Management System Report which provides accounting for all federal withdrawals of cash and expenditures.

5. Responsibilities

5.1 The Resource Development (RD) Unit is responsible for the programmatic management of federal grants including Internal Controls relating to program processes and required program reporting and program reviews of sub-grants.

5.2 The Fiscal Unit is responsible for the fiscal management of federal grants including Internal Controls relating to fiscal processes, accounting records and source documentation, cash management, budget control, allowable costs, Federal Financial Reporting, required fiscal reporting and fiscal monitoring of sub-grants.

6. Procedures

6.1 Receipt of Grant

1. The original Notification of Grant Award (NOGA) will be filed in the Fiscal Unit.
2. Copies of the NOGA will be sent to the appropriate State agencies as required by the State Administrative Manual (SAM).
3. A work program will be submitted as necessary to augment or revise budget authority for the acceptance of the grant award.
   - A. Federal grant program expenditures (with the exception of personnel costs) will be tracked in separate budget categories.
   - B. Federal grant revenue will be recorded in the appropriate general ledger according to the State Controller's Chart of Accounts.
4. Internal accounting records such as draw down ledgers, monthly budget reports, and obligation reports will be established.
5. Due dates for required fiscal reports will be maintained on a schedule.

6.2 Grant Budgeting and Internal Fiscal Reporting

1. The Fiscal Unit will be provided with a copy of the budget developed for any discretionary grant by the RD Unit.
2. Monthly reports showing the budget for the grant, expenditures through the end of the month, obligations pending and the balance of the grant to spend will be prepared and submitted to management and program staff. The status of any match requirements will be included in the monthly reports.
3. Funds received from the Administration on Aging (AoA) through the Older Americans Act (OAA) must be obligated within one year of receipt. All obligations must be liquidated within the following two years giving a total of three years to spend the funds. To track the obligations and ensure that all funds are spent, obligation records for each entitlement are established.
   - A. Obligations can consist of personnel costs, travel costs, subgrants, contracts, and other program costs as allowed in

the OAA.

B. Sub-grants and approved contracts are recorded as obligations. Personnel costs are recorded as obligations based on the Division's budgeted allocation of Personnel costs. Other obligations will be recorded as directed by Division administration.

4. Funds received from the US Department of Education through the Special Education – Grants for Infants and Families with Disabilities program, not obligated at the end of the Federal funding period specified, shall remain available for obligation for an additional period of 12 months.

   The division will follow 34 CFR 76.707 when determining the period of availability for obligations.

6.3 Federal Cash Management

1. Federal grant funds will be managed in accordance with the Cash Management Improvement Act (CMIA), and the provisions of A-102 and 2 CFR Part 215 and good business practices.
2. All expenditures of federal funds will be allowable, allocable, necessary, reasonable, and consistently treated.
3. Expenditure of grant funds will also be in compliance with the terms of the grant agreement.
4. All positions will be supported with time studies accounting for all of the activity for which the employee is compensated.
5. Costs not identified as a direct charge to a federal grant will be allocated based on the Division's approved Cost Allocation Plan.
6. All federal funds drawn in and expended will be tagged with an identifying number as required by the State Controller's Policy regarding federal cash management.
7. A cash reconciliation will be prepared on a regular basis to identify the receipt and expenditure of all federal funds in each budget account. The reconciliation will calculate an ending cash balance for all federal revenue in the budget account, and will also provide the amount of any state cash used to match federal funds.

   A. Based on the ending cash balances and any known pending obligations of federal funds, a request for funds is prepared to draw in adequate cash to cover the anticipated federal obligations. The request for funds is submitted to the State Treasurer's Office who processes the actual request to the Federal Treasury. The funds are wired to the State and deposited into the Division's budget account.

B. All draw down requests are recorded in the appropriate draw ledger. The balance of funds remaining is analyzed to ensure the grant is not overdrawn.

6.4 Federal Reporting

1. Federal Financial Reports (FFR425) are prepared quarterly, semi-annually or annually as required by the grant.
   A. Information to be reported should be taken from the monthly report compiled for the grant and must balance to the Budget Status Report (BSR) for the budget account.
   B. The report required for Title III is a compilation of expenditure information reported by the subgrantees and administrative and other program expenditures incurred by the Division. This information is obtained from financial reports submitted by subgrantees, and from the BSR for the budget account.
   C. Worksheets to compile this information are included in an Excel file, and are filed with the completed reports in the Division's files as supporting documentation for the report.
2. The Payment Management System requires a quarterly report (PMS report) to account for all cash transactions for grants received from the Department of Health and Human Services. This report is compiled at the State Department of Health and Human Services, Director's Office for the entire department from information received from all divisions. The Director's Office notifies the Division of the date due each quarter.
   A. The information is compiled from the BSR, monthly grant budget status reports and obligations reports.
   B. The worksheets used to compile the report are contained in an Excel file, and are printed as backup documentation for the report.
3. Other reports are required annually by the Administration on Aging. These reports have fiscal and program components. The reports will be coordinated between the Fiscal and RD Units.
4. An annual State Single Audit report is prepared and submitted to the State Controller's Office. The deadline for this report is established by the Controller's Office as is the reporting format. This report compiles all revenue and expenditure information for each federal grant received during the state fiscal year.

6.5 Sub-granting Federal Grant Awards

1. The Division subgrants funds to entities for the provision of senior services as allowed under OAA.

2. The RD Unit establishes procedures for the application process, evaluates the applications received, and makes recommendations for funding.
3. The Fiscal Unit determines the total amount of funding available to sub-grant, and the amount of funding to be allocated to each county per the funding formula for Title III B and C funds.
4. The RD Unit processes the Notification of Grant Award (NGA) for each sub-grant upon approval of the Administrator.
5. The Fiscal Unit records each sub-grant in the obligation record.

6.6 Fiscal Monitoring of Subgrants

1. All subgrants will be monitored to determine compliance with grant requirements.
2. On-site visits will be conducted for those programs at highest risk.
3. Fiscal monitoring will consist of:
    A. Quarterly review of financial reports submitted by subgrantees to determine compliance with cash management requirements.
    B. Development of a monitoring plan and checklist for the final monitoring at the end of the grant period.
    C. Complete an on-site or desk review as necessary and according to the monitoring plan.
    D. Prepare work papers to support the findings, judgments and conclusions in the monitoring report.
    E. Preparation of a written report summarizing any findings and recommendations, and including total program expenditures, match provided, program income contributed, carry over, and amount, if any, to be de-obligated.
    F. Review any corrective action taken on recommendations contained in the written report.

U.S. DEPARTMENT OF AGRICULTURE:

Finding 12-20:

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:

Grant Award Number: Affects grant awards included under CFDA 10.555 on the Schedule of Expenditures of Federal Awards.

Criteria: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

Condition and Context: The National School Lunch Program (CFDA 10.555) was covered by the State of Nevada Treasury-State Agreement for fiscal year 2012. The terms of this agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance, 3-4 day funding technique.

We performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We examined support for three draws and found that adequate documentation was not available to support some of the amounts requested on two of those draws. We also noted that the funds appeared to have been drawn sooner than prescribed in the Treasury-State Agreement for two of the draws tested.

In addition, although Department of Education personnel have represented that there is a policy that each of the draw requests should be approved by an individual independent of preparation prior to requesting payment from the Federal agency, there was no indication of such review and approval on the support for the draws tested.

Questioned Costs: None.

Effect: An interest liability for the State could result.

Cause: The Nevada Department of Education did not adhere to the funding technique described in the Treasury-State Agreement, and did not ensure that adequate documentation was retained to support amounts drawn.

Recommendation: We recommend the Nevada Department of Education adhere to the funding technique described in the Treasury-State Agreement and enhance procedures to ensure that adequate documentation is retained to support amounts drawn.

Management's Response: See management's response on pages 174 and 175.

JAMES W. GUTHRIE
Superintendent of Public Instruction

DEBORAH H. CUNNINGHAM
Deputy Superintendent Business and Support Services

RORIE FITZPATRICK
Deputy Superintendent Teaching and Learning

STATE OF NEVADA

Teacher Licensure
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DEPARTMENT OF EDUCATION

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March 13, 2013

Ronna Bach, Regional Director
USDA, Western Region Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Ms. Bach,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Child Nutrition Cluster programs which include: The School Breakfast Program, CFDA 10.553, The National School Lunch Program, CFDA 10.555, Special Milk Program for Children, CFDA 10.556, and the Summer Food Service Program for Children, CFDA 10.559, administered by the Nevada Department of Education for the year ended June 30, 2012. Kafoury, Armstrong & Co.'s findings 12-20, 12-21, and 12-22 concern these programs.

Finding 12-20 resulted in the following recommendations:

Kafoury, Armstrong & Co. recommends that the Nevada Department of Education adhere to the funding technique described in the Treasury-State Agreement and enhance procedures to ensure that adequate documentation is retained to support amounts drawn.

Nevada Department of Education response:

The Nevada Department of Education accepts the finding and has implemented a corrective action plan as of 3/1/2013.

Corrective Action:

The Nevada Department of Education has enhanced procedures to ensure compliance with the Treasury State Agreement. Under the new process, Draws would occur 3-4 days after the underlying expenditures have been incurred. This action should prevent an interest liability from accruing. Additionally, all Draw requests in the future will be independently reviewed, approved, signed, dated, and documented prior to their input into the Advantage Financial System. The Budget Analyst II is responsible for performing the review process.

If you have any questions, please contact Donnell Barton, Director of the Office of Child Nutrition and School Health at (775)-687-9191, or by email at dbarton@doe.nv.gov.

Sincerely,

Donnell Barton

Donnell Barton,
Director of the Office of Child Nutrition and School Health
(775)-687-9191
dbarton@doe.nv.gov.

U.S. DEPARTMENT OF AGRICULTURE:

Finding 12-21:

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:

Grant Award Number: Potentially affects all grant awards included under CFDA 10.553, 10.555, 10.556, and 10.559 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

Condition and Context: The Nevada Department of Education is required to submit quarterly FNS-777 Financial Status Reports for the Child Nutrition Cluster awards.

During testing of the FNS-777 Financial Status Report (Revision 1), submitted for the quarter ended March 31, 2012, we noted that expenditures reported included amounts recorded through April 20, 2012 in the accounting system. The U.S. Department of Agriculture requested that the original FNS-777 report be revised because it included amounts in *line l. Total cumulative amount of Federal funds authorized* that were drawn in April, and were not available as of March 31, 2012. The revised report was prepared and submitted to reflect funds available as of March 31, 2012, but the expenditures included on Revision 1 were not amended to reflect the correct amounts for that same period.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Education did not have adequate procedures in place to ensure that the amounts included on the quarterly Financial Status Reports accurately reflected the activity of the accounting period being reported on.

Recommendation: We recommend the Nevada Department of Education enhance procedures to ensure that the amounts included on the quarterly Financial Status Reports accurately reflect the activity of the accounting period being reported on.

Management's Response: See management's response on pages 177 and 178.

JAMES W. GUTHRIE
Superintendent of Public Instruction

DEBORAH H. CUNNINGHAM
Deputy Superintendent Business and Support Services

RORIE FITZPATRICK
Deputy Superintendent Teaching and Learning

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March 13, 2013

Ronna Bach, Regional Director
USDA, Western Region Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Ms. Bach,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Child Nutrition Cluster programs which include: The School Breakfast Program, CFDA 10.553, The National School Lunch Program, CFDA 10.555, Special Milk Program for Children, CFDA 10.556, and the Summer Food Service Program for Children, CFDA 10.559, administered by the Nevada Department of Education for the year ended June 30, 2012. Kafoury, Armstrong & Co.'s findings 12-20, 12-21, and 12-22 concern these programs.

Finding 12-21 resulted in the following recommendations:

Kafoury, Armstrong & Co. recommends that the Nevada Department of Education enhance procedures to ensure that the amounts included on the quarterly Financial Status Reports accurately reflect the activity of the accounting period being reported on.

Nevada Department of Education response:

The Nevada Department of Education accepts the finding and has implemented a corrective action plan as of 3/1/2013.

Corrective Action:

A review and reconciliation process has been implemented that reconciles the CNP database to the accounting database. There have also been changes to the transaction process flow, which enables greater consistency for transaction processing. The Accountant Technician for the Child Nutrition Program and the Budget Analyst II are primarily responsible for the corrective action along with the Director of the Child Nutrition Program.

If you have any questions, please contact Donnell Barton, Director of the Office of Child Nutrition and School Health at (775)-687-9191, or by email at dbarton@doe.nv.gov.

Sincerely,

Donnell Barton

Donnell Barton,
Director of the Office of Child Nutrition and School Health
(775)-687-9191
dbarton@doe.nv.gov.

U.S. DEPARTMENT OF AGRICULTURE:

Finding 12-22:

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:

Grant Award Number: Affects the grant awards included under CFDA 10.553 and CFDA 10.555 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition and Context: The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies that administer the various Federal award programs. The pertinent information is provided using a State-developed form entitled Single Audit Reporting Form (SARF).

During our testing of the amounts reported on the SEFA for the Child Nutrition Cluster to the accounting system, we identified instances where the amount reported on the SEFA did not reconcile to the underlying accounting records, and we noted that amounts related to transfers to other State agencies were not accounted for on the SEFA.

The amount reported for the School Breakfast Program was originally overstated on the SEFA by approximately $1.5 million. The amount was subsequently revised, but approximately $170,000 of funds that were transferred to other State agencies were not accounted for on the SEFA.

The amount reported for the National School Lunch Program was originally understated on the SEFA by approximately $1.7 million. The amount was subsequently revised, but approximately $267,000 of funds that were transferred to other State agencies were not accounted for on the SEFA.

Questioned Costs: None.

Effect:	The amounts included on the SEFA for the School Breakfast Program and National School Lunch Program were not accurate.
Cause:	The Nevada Department of Education did not have adequate reconciliation procedures to ensure that Federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA, and the Controller's Office did not have adequate procedures to ensure that amounts transferred to other State agencies were accounted for on the SEFA.
Recommendation:	We recommend the Nevada Department of Education enhance reconciliation procedures to ensure Federal expenditures are accurately reported to the Controller's Office for inclusion on the SEFA, and that the Controller's Office enhance controls to ensure that amounts transferred to other State agencies are accounted for on the SEFA.
Management's Response:	See management's response on pages 181 and 182.

JAMES W. GUTHRIE
Superintendent of Public Instruction

DEBORAH H. CUNNINGHAM
Deputy Superintendent
Business and Support Services

RORIE FITZPATRICK
Deputy Superintendent
Teaching and Learning

STATE OF NEVADA

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March 13, 2013

Ronna Bach, Regional Director
USDA, Western Region Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Ms. Bach,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Child Nutrition Cluster programs which include: The School Breakfast Program, CFDA 10.553, The National School Lunch Program, CFDA 10.555, Special Milk Program for Children, CFDA 10.556, and the Summer Food Service Program for Children, CFDA 10.559, administered by the Nevada Department of Education for the year ended June 30, 2012. Kafoury, Armstrong & CO's findings 12-20, 12-21, and 12-22 concern these programs.

Finding 12-22 resulted in the following recommendations:

Kafoury, Armstrong & Co. recommends that the Nevada Department of Education enhance reconciliation procedures to ensure Federal expenditures are accurately reported to the Controller's Office for inclusion on the SEFA, and that the Controllers' Office enhances controls to ensure that amounts transferred to other State Agencies are accounted for on the SEFA.

Nevada Department of Education response:

The Nevada Department of Education accepts the finding and has implemented a corrective action plan as of 3/1/2013.

Corrective Action:

A review and reconciliation process has been implemented that reconciles the CNP database to the accounting database. There have also been changes to the transaction process flow, which enables greater consistency for transaction processing. The Accountant Technician for the Child Nutrition Program and the Budget Analyst II are primarily responsible for the corrective action along with the Director of the Child Nutrition Program. These positions will also be responsible for communicating directly with the Controller's Office, should there be any issues that arise which impact the recording of transactions relative to Single Audit Reporting.

If you have any questions, please contact Donnell Barton, Director of the Office of Child Nutrition and School Health at (775)-687-9191, or by email at dbarton@doe.nv.gov.

Sincerely,

Donnell Barton

Donnell Barton,
Director of the Office of Child Nutrition and School Health
(775)-687-9191
dbarton@doe.nv.gov.

U.S. DEPARTMENT OF EDUCATION:

Finding 12-23:

School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A:

Grant Award Number:	Affects the grant award included under CFDA 84.388A on the Schedule of Expenditures of Federal Awards.
Criteria:	The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.
Condition and Context:	As part of our testing, we reviewed contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we noted that the awards did not identify the amount of ARRA funds or the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms. In addition, during disbursement testing it was noted that the Federal award number and CFDA number were not identified.
Questioned Costs:	None.
Effect:	Subrecipients may be unaware of specific Federal award requirements, which could result in noncompliance at the subrecipient level that is not detected by the State.
Cause:	The Nevada Department of Education did not have procedures in place to ensure that all required aspects of the ARRA funds were communicated to subrecipients.
Recommendation:	We recommend the Nevada Department of Education implement procedures to ensure that all information required to be provided to subrecipients under the ARRA is communicated.
Management's Response:	See management's response on pages 184 and 185.

JAMES W. GUTHRIE
Superintendent of Public Instruction

RORIE FITZPATRICK
Deputy Superintendent
Instructional, Research, and Evaluative Services

DEBORAH CUNNINGHAM
Deputy Superintendent
Administrative and Fiscal Services

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March 13, 2012

Monique M. Chism Ph.D, Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the School Improvement Grant ARRA program, CFDA 84.388., administered by the Nevada Department of Education for the year ended June 30, 2012. Kafoury, Armstrong's finding 12-23 concerns these programs.

Finding 12-23 resulted in the following recommendations:
We recommend the Nevada Department of Education implement procedures to ensure that all information required to be provided to the sub recipients under the ARRA is communicated.

Nevada Department of Education response:
The Nevada Department of Education accepts the finding and will implement procedures to ensure all sub recipients are provided with the necessary information at the time of sub award and disbursement of funds for all ARRA awards.

Corrective Action:
The Department will include the required information when awarding ARRA funds for all future sub awards and also at the time of the disbursement of funds.

If you have any question, please contact Robert Pawley, Accountant III at (775)-687-9179 or email at rpawley@doe.nv.gov., or Sue Moulden-Horton at (775)-687-9137 or email at smoulden@doe.nv.gov.

Sincerely,

Deborah Cunningham
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
James Guthrie, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Deputy Superintendent
Julia Teska, Director Business Services
Robert Pawley, Accountant III
Marcia Callaway, Director ESEA programs
Sue Moulden-Horton, Education Professional

<u>U.S. DEPARTMENT OF EDUCATION</u>:

Finding 12-24:

Education Jobs Fund, CFDA 84.410:

Grant Award Number:	Affects the grant award included under CFDA 84.410 on the Schedule of Expenditures of Federal Awards.
Criteria:	As noted in *OMB Circular A-133*, a State must maintain fiscal effort for education for State fiscal year 2011, as calculated using one of four acceptable methods. Under each method the State must separately meet the Maintenance of Effort (MOE) requirements for both elementary and secondary education and for public institutions of higher education (IHEs).
Condition and Context:	The supporting schedules of revenues and expenditures for the elementary/secondary and the IHEs are each compiled by separate personnel at the State, and were provided to the State Budget Office to calculate the MOE. Using those schedules the MOE was calculated using three of the four allowable methods to demonstrate that the required MOE had been met. We planned to test the supporting documentation for Method 2, which compares fiscal year 2011 percentages of support with fiscal year 2010 percentages, to ensure that amounts used in the calculations were supported by underlying accounting or other reliable records. However, support was not readily available for all of the amounts used in the calculations, and there was no evidence that a review of the supporting documentation was performed by the personnel responsible for determining compliance with the MOE requirement.
Questioned Costs:	Undetermined.
Effect:	Amounts used to determine the MOE may not be reliable and therefore the MOE calculation may not be accurate.
Cause:	The State did not have procedures to ensure the support for the amounts used in the MOE calculations was readily available to allow the personnel responsible for calculating the MOE to review the accuracy of the amounts used for the calculations and to maintain evidence of that review.
Recommendation:	We recommend the State implement procedures to ensure that support for the amounts used in the in the MOE calculations is readily available to allow the personnel responsible for calculating the MOE to review the accuracy of the amounts used for the calculations and to maintain evidence of that review.
Management's Response:	See management's response on page 187.

Brian Sandoval
Governor

Jeff Mohlenkamp
Director

Stephanie Day
Deputy Director

Mike Torvinen
Deputy Director

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION

209 E. Musser Street, Room 200 | Carson City, NV 89701-4298
Phone: (775) 684-0222 | Fax: (775) 684-0260

March 14, 2013

James Butler
U.S. Department of Education
Washington, D.C. 20202

RE: Education Jobs Fund
CFDA 84.410
Award S410A100029
Finding Number 12-24

Recommendation
Kafoury, Armstrong & Co. recommended the Department of Administration implement procedures to ensure support for amounts used in MOE calculations are readily available to allow personnel responsible for calculating the MOE to verify the accuracy of the amounts used for the calculations and to maintain evidence of that review.

Response
The Department of Administration accepts the audit recommendation. As discussed at the follow-up meeting to the exit conference, the Department of Administration's Budget Division has a very distinct structure and procedures designed to ensure supervisory review of all work performed by Budget Analysts. The office is divided into teams, each with a team lead. The team lead reviews all work performed by the analysts on their team. Most of the large repetitive processes like work program revision requests and contract reviews are signed off electronically. Performing this administrative function for these grants was a temporary process. While the work was properly documented, accurate, and reviewed by a supervisor, that review was not formally documented in the files. We have implemented procedures to ensure team leads document their reviews by initialing and dating documents reviewed when the process is not electronic.

Please do not hesitate to contact me if you have any questions or concerns. My email is mjtorvinen@admin.nv.gov and my direct phone line is (775) 684-0226.

Sincerely,

Mike Torvinen

Mike Torvinen, CPA
Deputy Director

Cc: Shannon Ryan, Deputy Legislative Auditor

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 12-25:

Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205:
ARRA – Highway Planning and Construction, CFDA 20.205A:
Recreational Trails Program, CFDA 20.219:
Surface Transportation Infrastructure, CFDA 20.933:
Appalachian Development Highway System, CFDA 23.003:

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 and 20.205A (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor and subcontractors to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition and Context: Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel for three contractors and their subcontractors. Certified weekly payrolls were submitted in all instances except one, in which a subcontractor payroll was missing. For those that were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

Questioned Cost: None.

Effect: Material noncompliance with the Davis-Bacon Act by a contractor or subcontractor could occur and not be detected or followed up on by the Nevada Department of Transportation in a timely manner.

Cause: Adequate control procedures were not in place to ensure that all required certified payrolls were timely received as prescribed by the Davis-Bacon Act.

Recommendation: We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act.

Management's Response: See management's response on page 192.

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 12-26:

Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Grant Award Number: Potentially affects all grant awards included under CFDA 20.205 and 20.205A (in the Highway Planning and Construction Cluster) on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Condition and Context: Our procedures included reviewing the Department's Acceptance Testing Frequency Report for each project, which serves to document the number of tests required, performed and the results of the tests, and the related documentation of test results to verify that tests were being performed in accordance with the quality assurance program. Three of 22 Federally funded construction projects completed during the year were tested. One of the projects, 3411, required numerous types of tests to be performed at varying frequencies during construction, and we noted that four of those types of tests were not performed as frequently as indicated on the Required Minimum Number of Tests column of the Acceptance Testing Frequency Report. In addition we noted that an insufficient number of quality assurance testing was performed for eight types of tests.

Questioned Cost: None.

Effect: Noncompliance with the quality assurance program could result in construction project deficiencies not being identified in a timely manner.

Cause: Adequate procedures were not in place to ensure that all required tests were performed as prescribed by the quality assurance program.

Recommendation: We recommend that the Nevada Department of Transportation enhance procedures to ensure that all required tests are performed as prescribed by the quality assurance program.

Management's Response: See management's response on page 193.

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
1263 S. Stewart Street
Carson City, Nevada 89712

BRIAN SANDOVAL
Governor

RUDY MALFABON, P.E., *Director*

March 11, 2013

In Reply Refer to:

Mr. Robert Eatmon , Financial Manager
Federal Highway Administration
705 North Plaza Street, Suite 220
Carson City, NV 89701

Dear Mr. Eatmon:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of the Highway Planning and Construction Clusters, CFDA 20.205 and CFDA 20.205A, administered by the Nevada Department of Transportation for fiscal year ended June 30, 2012. Kafoury, Armstrong's findings 12-25, and 12-26 concern the Nevada Department of Transportation.

Finding 12-25 resulted in the following recommendation:
"We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act."

Nevada Department of Transportation Response:
The Nevada Department of Transportation accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-25:
We recently revised our procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act. The Resident Engineers and their staff are monitoring the electronic payroll submission system to confirm that subcontractors that physically perform work on a project have submitted a weekly certified payroll. Any discrepancy in the submission of certified payrolls is investigated by Contract Compliance. In instances where certified payroll violations occur, the bi-weekly progress payment may be withheld, unless immediate action is taken to correct the violation.

We expect to have our procedures fully implemented by June 30, 2013. Implementation of these changes is continuing from the last audit. Improvements have occurred but we have more to do to fully implement our monitoring and audit procedures. This will be done under the supervision of the District Engineers with oversight and technical guidance provided by Jeff Shapiro, Chief Construction Engineer and Yvonne Schuman, Civil Rights Officer.

Finding 12-26 resulted in the following recommendation:
"We recommend that the Nevada Department of Transportation enhance procedures to ensure that all required tests are performed as prescribed by the quality assurance program."

Nevada Department of Transportation Response:
The Nevada Department of Transportation accepts this finding and will initiate corrective action as noted below.

Corrective Action for Finding 12-26:
We are continuing to enhance our procedures to ensure that required tests are performed as prescribed by the quality assurance program and that evidence of the testing performed is retained. This includes increased communication between Headquarters Quality Assurance Section staff and District Construction staff as well as between the Construction Division administration and the District administration. The importance of the required testing will continue to be emphasized at annual inspection and testing training provided by the Construction Division and at the annual Resident Engineer's Academy and the annual Resident Engineer's Conference. Roles and responsibilities relating to modifications to the tests required will be formalized for the Construction Division and for the Resident Engineers. Also back in February 2012 the Construction Division began preparing the initial Acceptance Testing Frequency Report (Form 040-075) on all new contracts. This form helps the Resident Engineers in planning and preparing for their testing programs.
We will continue to emphasize the importance of communication, inspection and testing, and we expect to have our roles and responsibilities formalized by September 30, 2013. Also the benefits of quality assurance program enhancements implemented back in 2012 may not be fully realized until several years later when the new contracts covered by the enhanced procedures are closed out (i.e. fiscal year 2014 and later). This will be done under the supervision of the Resident Engineers with oversight from the District Engineers; Mary Martini, Thor Dyson and Kevin Lee. Guidance will also be provided by Jeff Shapiro, Chief Construction Engineer.

Sincerely,

Rodolfo Malfabon

Rodolfo Malfabon, P.E.
Director

Cc:	Tracy Larkin-Thomason	Bill Hoffman
	Scott Sisco	Kevin Lee
	Richard Nelson	Thor Dyson
	David Olsen	Jeff Shapiro
	Norfa Lanuza	Thor Dyson
	Shannon Ryan	Mary Martini
	Debbie Clark	Yvonne Schuman

<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>:

Finding 12-27:

Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
ARRA - Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A:

Grant Award Number: Potentially affects all grant awards included under CFDA 66.468 and CFDA 66.468A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements and include all activity of the reporting period.

Condition and Context: The Nevada Department of Conservation and Natural Resources, Division of Environmental Protection is required to submit Standard Form (SF) 425 Financial Reports for each active Drinking Water State Revolving Fund grant.

During testing of one SF-425 Financial Report submitted for the year ended June 30, 2011, we identified a keying error that caused total program expenditures in the report to be understated by $6,578,097.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Conservation and Natural Resources, Division of Environmental Protection did not have adequate reconciliation and review procedures in place to ensure that amounts included in the SF-425 Financial Report were supported by the underlying accounting records.

Recommendation: We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection enhance the controls and review procedures over the reporting process and ensure that all amounts included in the SF-425 Financial Report reconcile to the underlying accounting records.

Management's Response: See management's response on page 195.

STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

NEVADA DIVISION OF ENVIRONMENTAL PROTECTION
protecting the future for generations

Brian Sandoval, Governor
Leo M. Drozdoff, P.E., Director
Colleen Cripps, Ph.D., Administrator

March 4, 2013

Miao Ling (Elaine) Huang, Accountant
USEPA, Region 9, MTS-4-2
75 Hawthorne Street
San Francisco, CA 94105
(415) 972-3707

Dear Ms. Huang,

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Drinking Water State Revolving Fund (DWSRF) grant program, CFDA's 66.468. This program was audited for the State Fiscal Year 2012, which ended 6/30/2012.

Kafoury, Armstrong's findings 12-27 concerns the DWSRF program.

Finding 12-27 resulted in the following Recommendation:
"We recommend the Nevada Department of Conservation and Natural Resources, Division of Environmental Protection enhance the controls and review procedures over the reporting process and ensure that all amounts included in the SF-425 Financial Report reconcile to the underlying accounting records.

Nevada Division of Environmental Protection (NDEP) Response:
The NDEP accepts this finding and has initiated corrective actions as noted below.

Corrective Action for Finding 12-27
Procedures have been enhanced to ensure reconciliation with the State accounting system (DAWN) information to Division records and then to the SF-425 Financial Report. This will be done under the supervision of Daralyn Dobson, Administrative Services Officer.

If you have any further questions, please contact me at (775) 687-9489 or ddobson@ndep.nv.gov or you can contact Adele Basham, Chief of Administrative Services at (775) 687-9488 or abasham@ndep.nv.gov.

Sincerely,

Daralyn Dobson

Daralyn Dobson
Administrative Services Officer III

Office of Financial Assistance
Phone: 775-687-9489
Fax: 775-687-9510
ddobson@ndep.nv.gov

cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Debbie Clark, Kafoury, Armstrong & Co.
Steven Weinberger, Manager, Internal Controls

U.S. DEPARTMENT OF ENERGY:

Finding 12-28:

State Energy Program, CFDA 81.041:
ARRA State Energy Program, CFDA 81.041A:

Grant Award Number: Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. The U.S. Department of Energy issued *SEP Program Notice 10-008B, Guidance For State Energy Program Grantees on Financing Programs,* which provides that all program income, including interest earned, is subject to the terms and conditions of the original grant, and that Federal funds used to capitalize a revolving loan fund maintain their Federal character in perpetuity, and Federal requirements apply at each revolution of the revolving loan funds.

Condition and Context: The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies that administer the various Federal award programs.

During our reconciliation of the State Energy Program (SEP) ARRA expenditures to the SEFA, we noted that the State has created a revolving loan fund that was capitalized with SEP ARRA funds, and there was program income from interest earned on cash balances and interest earned on loans that was not included on the SEFA. Additionally, principal amounts that had been repaid to the revolving loan fund and subsequently re-loaned were not reported as program expenditures on the SEFA.

Questioned Costs: None.

Effect: Program income and expenditures related to revolving loan funds were not reported on the SEFA, which resulted in State Energy Program expenditures being understated.

Cause: The Nevada Department of Administration prepares the SEP expenditure information and submits it to the Controller's Office on behalf of the State Office of Energy. Personnel at the Nevada Department of Administration and the State Office of Energy were not aware of the requirement to report interest as program income and re-loaned revolving loan funds as expenditures on the SEFA.

Recommendation: We recommend the Nevada Department of Administration and the State Office of Energy implement procedures to ensure the SEFA includes interest as program income and re-loaned revolving loan funds as expenditures.

Management's Response: See management's response on pages 203 and 204.

<u>U.S. DEPARTMENT OF ENERGY</u>:

Finding 12-29:

State Energy Program, CFDA 81.041:
ARRA State Energy Program, CFDA 81.041A:

Grant Award Number: Affects grant award DE–EE0003761 under CFDA 81.041 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Salaries and wages of employees used in meeting cost sharing or matching (in-kind) requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Condition and Context: Grant award DE–EE0003761, which had a Period of Performance through June 30, 2012, included the provision for the State to provide a twenty-percent match (cost share). The approved award budget allowed for 64.464% the Director's salary and benefits to be claimed for in-kind match. We noted on the Federal Financial Report (SF-425) for the period ended June 30, 2012 that the State reported $103,777 as the Recipient Share of Expenditures, which calculates to twenty-percent of the total amount reported as Federal Share of Expenditures.

To test the amounts reported as match, we obtained support for the calculation of the value of the charges claimed as in-kind match. We found that the calculation was unrelated to actual salary costs or time distribution activity reports. The support indicated that the quarterly calculation of the amount of the Director's salary claimed for match was to be calculated as 20% of the direct State Energy Program grant expenditures for the period. This allocation method was used consistently for the first four of the eight quarters of the award period, and resulted in the match amount calculated and claimed for one of the quarters being more than the Director's salary cost for that period. We could not determine how the in-kind value claimed for the following four quarters was calculated, but we noted another instance where the amount claimed was more than the salary cost for the period, as well as another quarter where no in-kind amounts were claimed.

Questioned Costs: Undetermined. In-kind amounts of 64.464% of the Director's salary costs would likely have provided an adequate match, but the amounts claimed were not based on salary costs, nor were they supported by personnel activity reports that reflected an after-the-fact distribution of the actual activity.

Effect: The State may not be in compliance with the matching requirement.

Cause: Adequate procedures were not in place to ensure amounts claimed as in-kind match for the Federal program were calculated in conformity with the grant provisions or that they were supported by required documentation and certifications.

Recommendation: We recommend that the State implement procedures to ensure amounts claimed as in-kind match for the Federal program are calculated in conformity with the grant provisions and that they are supported by required documentation and certifications.

Management's Response: See management's response on page 204.

U.S. DEPARTMENT OF ENERGY:

Finding 12-30:

State Energy Program, CFDA 81.041:
ARRA State Energy Program, CFDA 81.041A:

Grant Award Number: Potentially affects all grant awards included under CFDA 81.041 and 81.041A on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

Condition and Context: The Nevada State Office of Energy is required to submit quarterly Standard Form (SF) 425 Financial Reports for State Energy Program awards.

During testing of a quarterly SF-425 Financial Report submitted for the quarter ended March 31, 2012 for grant award EE0003761, which requires a twenty-percent match, we noted that lines 10.e. *Federal share of expenditures,* 10.i *Total recipient share required* and 10.j *Recipient share of expenditures* did not reconcile to supporting documentation generated from the accounting system.

During testing of a quarterly SF-425 Financial Report submitted for the quarter ended March 31, 2012 for ARRA grant award EE0000084, we noted that line 10.l. through 10.o. *Program Income* (income received in the form of interest related to a SEP revolving loan fund) was reported as $101,820.61, which did not include $25,771.40 of interest that was included in the accounting system prior to March 31, 2012.

Questioned Costs: None.

Effect: Incomplete information was reported to the Federal granting agency.

Cause: The Nevada State Office of Energy did not have an adequate review procedure in place to ensure that the SF-425 Financial Reports were presented in accordance with program requirements and included all activity of the reporting period.

Recommendation: We recommend the Nevada State Office of Energy enhance the review process to ensure that amounts included in the SF-425 Financial Reports are presented in accordance with program requirements and include all activity of the reporting period.

Management's Response: See management's response on page 204.

U.S. DEPARTMENT OF ENERGY:

Finding 12-31:

State Energy Program, CFDA 81.041:
ARRA State Energy Program, CFDA 81.041A:

Grant Award Number:	Affects the grant awards included under CFDA 81.041 and 81.041A on the Schedule of Expenditures of Federal Awards.
Criteria:	As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.
Condition and Context:	The Nevada State Office of Energy did not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions were taken on audit findings. As part of our audit procedures, we tested a sample of subrecipients to verify that the Nevada State Office of Energy ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Office of Energy did not obtain and review audit reports for findings for the subrecipients.
Questioned Costs:	None.
Effect:	Noncompliance at the subrecipient level may occur and not be detected by the State.
Cause:	The Nevada State Office of Energy did not have adequate procedures in place to ensure that subrecipient audit reports were completed timely, management decisions were issued for subrecipient findings, and corrective actions were taken on audit findings.
Recommendation:	We recommend the Nevada State Office of Energy implement procedures to ensure subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe.
Management's Response:	See management's responses on pages 204 and 205.

Brian Sandoval
Governor

STATE OF NEVADA

Stacey Crowley, Director
755 North Roop Street, Suite 202
Carson City, NV 89701
Office: (775) 687-1850
Fax: (775) 687-1869

OFFICE OF THE GOVERNOR
NEVADA STATE OFFICE OF ENERGY

March 8, 2013

Mr. Peter S. Davis, Program Manager
Golden Field Office
U.S. Department of Energy
1617 Cole Boulevard
Golden, CO 80401-3393

Dear Mr. Davis:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of the State Energy Program, CFDA 81.041A, administered by the Nevada State Office of Energy for the fiscal year that ended June 30, 2012. Kafoury, Armstrong's findings 12-28, 12-29, 12-30, and 12-31 concern the Nevada State Office of Energy.

Finding 12-28 resulted in the following recommendation:
"We recommend the Nevada Department of Administration and the State Office of Energy implement procedures to ensure the SEFA includes interest as program income and re-loaned revolving loan funds as expenditures."

Nevada State Office of Energy Response:
The Nevada State Office of Energy accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-28:
The Department of Administration and the State Office of Energy have implemented procedures to ensure the Schedule of Expenditures of Federal Awards (SEFA) includes interest and principal received as program income and re-loaned revolving loan funds as expenditures. In addition, the interest income and resulting revolving loan expenditures are now included on the Single Audit Report Form (SARF) through the Controller's Office. Tiffany Greenameyer, Budget Analyst at the Department of Administration, will complete the SARF from the Controller's website. Interest earned and principal received will be

reported on line 8 of the SARF. Loans expended for the fiscal year will be reported on line 12 of the SARF.

Finding 12-29 resulted in the following recommendation:
"We recommend that the State implement procedures to ensure amounts claimed as in-kind match for the Federal program are calculated in conformity with the grant provisions and that they are supported by required documentation and certifications."

Nevada State Office of Energy Response:
The Nevada State Office of Energy accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-29:
Tiffany Greenameyer has revised the wording provided on her reporting spreadsheet to indicate a 20% match of total expenditures, not a 20% match of director's salary. The director's salary is supported with non-federal dollars and is used to support the in-kind match. The Department of Administration has implemented procedures to record and report the in-kind match.

Finding 12-30 resulted in the following recommendation:
"We recommend the Nevada State Office of Energy enhance the review process to ensure that amounts included in the SF-425 Financial Reports are presented in accordance with program requirements and include all activity of the reporting period."

Nevada State Office of Energy Response:
The Nevada State Office of Energy accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-30:
The Nevada State Office of Energy has enhanced the review process by revising our procedures to ensure that all information reported on the SF-425 reports are presented in accordance with the program requirements and include all activity of the reporting period. Emily Nunez, Fiscal Manager, will work closely with Tiffany Greenameyer to compare and confirm reporting information. The SF-425 reports will then be completed by Emily and provided to the Energy Program Manager for final review and approval prior to submission.

Finding 12-31 resulted in the following recommendation:
"We recommend the Nevada State Office of Energy implement procedures to ensure subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe.

Nevada State Office of Energy Response:
The Nevada State Office of Energy accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-31:
The Nevada State Office of Energy has implemented procedures to ensure that all subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe. Language has been added to the subrecipient award notice requiring the subrecipient to indicate if they receive more than $500,000 in total federal funding and are bound by the requirements of OMB Circular A-133. Additionally, a *Single Audit Requirement Form* has been created and will be maintained in all subrecipient files for those required to submit a Single Audit report. The form provides for date of Single Audit, if findings were identified, if subrecipient provided a timely response to the findings, management's decision, a reminder to calendar the response timeline, and if the audit has been satisfactorily completed. The Fiscal Manager will maintain a subrecipient audit schedule for the Office of Energy.

Sincerely,

Stacey Crowley

Stacey Crowley
Director

cc: Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau, Audit Division

<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>:

Finding 12-32:

Homeland Security Grant Program, CFDA 97.067:

Grant Award Number:	Potentially affects all grant awards included under CFDA 97.067 on the Schedule of Expenditures of Federal Awards.
Criteria:	*OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
Condition and Context:	The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies that administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF). During our testing and reconciliation of the SARFs to the accounting system, we identified instances in which the expenditures reported on the SARFs were not reconciled to the underlying accounting data.
Questioned Costs:	None.
Effect:	The amounts identified as Federal expenditures included on the SEFA under the Homeland Security Grant Program were potentially understated by approximately $74,000.
Cause:	The Nevada Department of Public Safety Division of Emergency Management did not have adequate controls and reconciliation procedures to ensure Federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA.
Recommendation:	We recommend the Nevada Department of Public Safety Division of Emergency Management enhance controls and implement a reconciliation process to ensure all Federal expenditures are reported accurately to the Controller's Office for inclusion on the SEFA.
Management's Response:	See management's response on page 208.

U.S. DEPARTMENT OF HOMELAND SECURITY:

Finding 12-33:

Homeland Security Grant Program, CFDA 97.067:

Grant Award Number: Potentially affects all grant awards included under CFDA 97.067 on the Schedule of Expenditures of Federal Awards.

Criteria: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements and include all activity of the reporting period.

Condition and Context: The Nevada Department of Emergency Management is required to submit quarterly Standard Form 425 (SF-425) Financial Reports for each Homeland Security Grant Program award. We tested five reports submitted during the fiscal year.

During testing of the SF-425 Financial Report submitted for the quarter ended March 31, 2012 for grant award 2007-GE-T7-0010, we noted that line 10.b. *Cash Disbursements* and line 10.e. *Federal Share of Expenditures* were both understated by $56,947.

Questioned Costs: None.

Effect: Inaccurate information was reported to the Federal granting agency.

Cause: The Nevada Department of Emergency Management did not have adequate procedures in place to ensure that the SF-425 Financial Reports were presented in accordance with program requirements and included all activity of the reporting period.

Recommendation: We recommend the Nevada Department of Emergency Management enhance the procedures over the reporting process to ensure that all amounts included in the SF-425 Financial Reports are presented in accordance with program requirements and include all activity of the reporting period.

Management's Response: See management's response on page 209.

Brian Sandoval
Governor

Nevada Department of
Public Safety

Chris Perry
Director

Christopher B. Smith
Chief

Division of Emergency Management
Homeland Security
2478 Fairview Drive
Carson City, Nevada 89701
Telephone (775) 687-0300 • Fax (775) 687-0322 • http://dem.state.nv.us/

March 12, 2013

Mr. Dale P. Finney
Program Analyst, Western Division
Department of Homeland Security
Federal Emergency Management Agency
800 K. Street, NW
Washington, DC 20472-3625

Dear Mr. Finney:

Kafoury, Armstrong and Company, CPAs performed an annual single audit of the Homeland Security Cluster program, CFDA 97.067, active during State of Nevada's fiscal year 2012, which ended June 30, 2012. Kafoury, Armstrong's findings 12-32 and 12-33 concern the Homeland Security Cluster program.

Finding 12-32 resulted in the following recommendation:
We recommend the Nevada Department of Public Safety, Division of Emergency Management enhance controls and reconciliation procedures to ensure federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA.

Nevada Division of Emergency Management (NDEM) Response:
The Nevada Division of Emergency Management accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-32
Controls and reconciliation procedures will be enhanced to ensure federal expenditures are accurately reported to the Controller's Office for inclusion on the SEFA. This will be done by Judith Lyman, Management Analyst I, under the Supervision of Marilyn Chadwick, Administrative Services Officer I. The corrective actions will be completed by June 30, 2013.

Finding 12-33 resulted in the following recommendation:
We recommend the Nevada Department of Public Safety, Division of Emergency Management enhance the procedures over the reporting process to ensure that all amounts included in the SF-425 Financial Reports are presented in accordance with program requirements and include all activity of the reporting period.

Nevada Division of Emergency Management (NDEM) Response:
The Nevada Division of Emergency Management accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-33
One SF-425 Financial Report did have an error in a prior reporting period. This error was identified and corrected in a subsequent reporting period prior to the audit taking place. Procedures have been enhanced to ensure that all amounts included in the SF-425 Financial Reports are presented in accordance with program requirements and include all activity of the reporting period. Corrective actions have been completed.

If you have any questions, please contact Joyce Garrett or Rick Martin, at (775) 687-0300.

Best Regards,

Christopher B. Smith, C.E.M.

CBS/jg.cm

cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Joyce Garrett, ASOIII, Nevada DEM
Rick Martin, Program Manager, Nevada DEM
Debbie Clark, Kafoury, Armstrong & Co.
Jay Giovacchini, Internal Auditor, DPS
NDEM Homeland Security Cluster files

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 12-34:

Medicaid Cluster:
ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative, CFDA 93.720A
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
ARRA – Medical Assistance Program, CFDA 93.778A

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

Criteria: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition and Context: The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies that administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found an instance where expenditures related to the State Children's Insurance Program (SChIP), CFDA 93.767, were incorrectly reported by the Controller's Office as being expended under CFDA 93.778. This caused the amounts included on the SEFA for the SChIP program to be understated and the amount included on the SEFA for the Medicaid Cluster to be overstated.

Questioned Costs: None.

Effect: The expenditures reported on the SEFA for the SChIP program were understated by $21,453,123 and the expenditures for the Medicaid program were overstated by $21,453,123.

Cause: The Controller's Office does not have adequate procedures in place to ensure Federal expenditures are reported on the SEFA under the correct Federal award program.

Recommendation: We recommend the Controller's Office enhance controls to ensure Federal expenditures are reported under the correct Federal award program on the SEFA.

Management's Response: See management's response on pages 211 and 212.

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

STATE OF NEVADA

SUSAN ROSSETER HART
Chief Deputy Controller

OFFICE OF THE
STATE CONTROLLER

March 7, 2013

Ms. Henrietta Sam-Louie
Financial Management Manager
Centers for Medicare & Medicaid Services
Medicaid & Children's Health Operations
90 7th Street, Suite 5-300
San Francisco, CA 94103-6707

Dear Ms. Sam-Louie:

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of the Medicaid Cluster, CFDA numbers 93.720A, 93.775, 93.777, 93.778 and 93.778A, administered by the Nevada Department of Health and Human Services, Health Care Financing and Policy Division for fiscal year ended June 30, 2012. Kafoury, Armstrong & Co. finding 12-34 pertains to CFDA 93.778 and concerns the Nevada State Office of the Controller.

Finding 12-34 resulted in the following recommendation:
"We recommend the Controller's Office enhance controls to ensure Federal expenditures are reported on the SEFA under the correct Federal award program."

Nevada Office of the Controller Response:
The Nevada Office of the Controller accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 12-34:
The current process for the reporting of Federal receipts and expenditures is intensely manual, for State Agencies, as well as the Controller's Office. Single Audit Reporting Forms (SARFs) are completed by Agencies and then submitted to the Controller's Office for entry into our Integrated Financial System (IFS Advantage). That information is then compiled to create the Schedule of Expenditures of Federal Awards (SEFA). We are currently working toward automating the entire reporting process, which will eliminate entry errors and allow for additional analytics to be performed by both parties, ensuring accuracy to the fullest extent possible. The automation project is projected to be in effect by the end of State Fiscal Year 2014.

Until the project is completed, the Controller's Office will continue to train agency staff in completion of the SARFs and has assigned additional staff to this duty, as well. As staff enters the information into IFS, other staff members will review the entries. This cross-checking will ensure that the information provided is entered exactly as it was received. Additionally, it will allow the Management Analyst and the Chief Accountant time to perform additional analyses on the information reported, further ensuring correct reporting.

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101 N. Carson Street, Suite 5
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Las Vegas, Nevada 89101-1071
(702) 486-3895
Fax (702) 486-3896

These procedures will be completed for the reporting of State Fiscal Year 2013 data under the supervision of the Chief Accountant of Operations.

Sincerely,

Kim Walli

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW:mm

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

STATE OF NEVADA

SUSAN ROSSETER HART
Chief Deputy Controller

OFFICE OF THE
STATE CONTROLLER

March 8, 2013

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, 2012.

Finding 10-1:

Program:	Department of Transportation Highway Planning and Construction Cluster: Highway Planning and Construction, CFDA 20.205 ARRA – Highway Planning and Construction, CFDA 20.205A Recreational Trails Program, CFDA 20.219
Finding Summary:	The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CRF Part 5.5(a)(3)(ii)(A), "Labor Standards Provision Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor and subcontractors to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel. Although the certified weekly payrolls were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.
State's Response:	The Department is currently in the process of revising our procedures. The implementation date has been extended by the Federal Highway Administration until October 2012.
Finding Status:	Not corrected.

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Finding 10-2:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205 and 637.207).

Our procedures included reviewing documentation of test results to verify that tests were being performed in accordance with the quality assurance program. One of seven Federally funded construction projects completed during the year was tested. We noted that samples of piping, which represented five of twenty-three materials used in the project that were subject to quality assurance testing, were not submitted to the materials lab for testing. As a result, the minimum number of tests required under the quality assurance program was not performed for those materials.

State's Response: Quality Assurance Section Staff have been instructed to compare the Required Minimum Number of Tests shown NDOT Form 040-075 with the Materials Division's Materials Sampling and Testing Checklist and to resolve any inconsistencies prior to submission to the Contract files. The Construction Division also continues to stress the importance of accuracy and consistency in Contract documentation through the various training courses provided, Contract closeout audits and annual Resident Engineer meetings.

Finding Status: Not corrected.

Finding 10-9:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258
ARRA – WIA Adult Program, CFDA 17.258A
WIA Youth Activities, CFDA 17.259
ARRA – WIA Youth Activities, CFDA 17.259A
WIA Dislocated Workers, CFDA 17.260
ARRA – WIA Dislocated Workers, CFDA 17.260A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing, we reviewed the WIA contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we identified a contract that did not include the Federal award number, a specific CFDA number, or the amount of ARRA funds. In addition, ARRA funds were not identified as such at the time of disbursement to subrecipients.

State's Response: For all previous WIA formula and ARRA contracts, the Catalog of Federal Domestic Assistance (CFDA) number was not included on the contracts. Staff was unaware of the requirement to list on the individual contracts either the Federal award number or the CFDA number. As of now, the WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, has been updated to ensure all new contracts include the CFDA number and Federal Award Number. Due to a lengthy contract process, amendments were not previously written for the purpose of adding the CFDA number, but subsequent formula and ARRA contracts do contain the CFDA number. The Federal award number will also be added to all future contracts.

All ARRA contracts include the reference to ARRA in the contract number, e.g., PY08-A-ARRA-02. In addition, both Boards submit separate requests for reimbursements for formula and ARRA funds and include individual contract numbers on the requests.

In addition, the Financial Management (FM) Section of the Department will also identify the Federal award number, CFDA number, and the amount of ARRA funds on each disbursement of funds to subrecipients.

Department of Employment, Training and Rehabilitation (DETR) Financial Management (FM) has added the required information to the payment remittance received by the sub-grantees and vendors receiving ARRA funds. A payment approval form with special instructions to include the grant number, CFDA number and amounts is now required.

Finding Status: Corrected.

Finding 10-11:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Department of Employment, Training and Rehabilitation is required to submit annual RSA-2 Program Cost Reports, as well as quarterly SF-425 Federal Financial Reports for the Vocational Rehabilitation Cluster awards.

During testing of the annual RSA-2 Program Cost Report submitted during fiscal year 2010, we noted a formula error in a supporting spreadsheet that caused total expenditures reported to be understated by $1,550,383. In addition, during testing of the SF-425 report for grant award H126A100041 submitted for the quarter ending March 31, 2010, we noted a formula error in the supporting worksheet that caused the total Federal share of expenditures to be understated by $477,113.

State's Response: The Financial Management Section of the Department has modified existing procedures to include enhanced review and reconciliation steps for federal grant and cost reports. Additionally, the Financial Management Section of the Department has automated the data collection process for the RSA-2 report and is in the process of automating data collection for all other federal reports.

The formula errors in the RSA-2 and SF-425 supporting worksheets have been corrected and corrected reports were submitted electronically to RSA. Staff did evidence supervisory review of the documents by signing on the last page.

DETR FM has completed a partial automation of the data collection process relative to the RSA-2 report; however, the full automation process relative to the RSA-2 and other federal reports is not possible due to cost restraints, etc. However, DETR FM management staff has and will be reviewing (and documenting this step) all federal reports for accuracy and completeness (including any and all formulas) prior to submission.

Finding Status: Corrected.

Finding 10-13:

Program: Department of Employment, Training and Rehabilitation
Employment Services Cluster:
Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207
ARRA – Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A:
Disabled Veterans Outreach Program (DVOP), CFDA 17.801
Local Veterans' Employment Representation Program, CFDA 17.804

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found instances where expenditures related to other Federal award programs were incorrectly reported to the Controller's Office as being expended under CFDA's 17.207 and 17.804. This caused the amounts included on the SEFA under the Employment Services Cluster to be overstated.

State's Response: The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller's Office. Current procedures are in place to ensure federal expenditures are reported accurately for inclusion on the SEFA. Policies and procedures for completing the Single Audit Reporting Forms (SARF) have been amended. Staff training is occurring to ensure SARF procedures are followed.

Finding Status: Not corrected.

Finding 10-14:

Program:

Department of Education
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
Title I, Part A Cluster:
  Title I Grants to Local Educational Agencies, CFDA 84.010
  ARRA – Title I Grants to Local Educational Agencies, CFDA 84.389A
Special Education Cluster:
  Special Education – Grants to States, CFDA 84.027
  Special Education – Preschool Grants, CFDA 84.173
  ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
  ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

The National School Lunch Program (CFDA 10.555), Title I Grants to Local Educational Agencies (CFDA 84.010), and Special Education – Grants to States (CFDA 84.027) are covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2010. The terms of this agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance, 3-5 day funding technique for the programs listed above.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada Department of Education did not always adhere to the specified funding techniques.

The Average Clearance funding technique provides that the State shall request funds such that they are deposited via Automated Clearing House (ACH) in a State account on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified for the program. The specified clearance patterns are as follows:

10.555 – National School Lunch Program – 5 days
84.010 – Title I Grants to Local Educational Agencies – 4 days (administrative component only)
84.027 – Special Education – Grants to States – 3 days (administrative components only)

However, the State calculates the requests for Federal funds based on payroll check dates and expenditures recorded as issued in the accounting system, rather than following the clearance patterns listed above.

State's Response: The Nevada Department of Education initiated action in the previous year. The auditors noted that Federal funds should be drawn on a 3-5 day clearance pattern but that the funds were being drawn to coincide with the payment of salaries. Effective July 1, 2010, the CMIA agreement included guidance for average clearance with regard to salaries. Salaries should be on a one day clearance pattern, but since funds cannot be received on a Saturday, the funds should be credited to the State's bank account on Friday.

Finding Status: Child Nutrition Cluster: Not corrected.
Title I, Part A Cluster: Corrected.
Special Education Cluster: Corrected.

Finding 10-15:

Program: Department of Education
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to Local Educations Agencies, CFDA 84.389A
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027

Special Education – Preschool Grants, CFDA 84.173
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

As part of our testing, we reviewed the Title I and Special Education contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we noted that the assurances included in the State's online system of subrecipient communication, electronic Plans, Applications, Grants and Expenditures (ePAGE), did not identify the Federal award number, the CFDA number or the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms. In addition, ARRA funds were not identified as such at the time of disbursement to the subrecipient.

State's Response: The assurances for ePAGE have been updated to insure that all ARRA grant applications have specific information for ARRA awards. This information includes the CFDA number and title, the Grant Title and award number, as well as the indication that this is an ARRA grant from the US Department of Education. Additionally, the Department is including on the memo line of all ARRA disbursements information specifically identifying a payment as ARRA funds.

Finding Status: Requirement no longer relevant to the program as ARRA award period has ended.

Finding 10-17:

Program: Department of Education
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027
Special Education – Preschool Grants, CFDA 84.173
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the Section 1512 ARRA reports submitted for the quarter ended March 31, 2010, we noted that $10,594, an amount representing a payment to a subrecipient, was incorrectly included as an expenditure and funds invoiced/received amount on the report for grant H391A090043A, and conversely, was excluded from the expenditure and funds invoiced/received amount on the report for grant award H392A090046A.

State's Response: All federal financial report backup information is now being reconciled to the Nevada Department of Education's accounting system, the State accounting system and the Federal cash system, to ensure all financial reports are accurate and balanced with all pertinent financial systems.

Finding Status: Requirement no longer relevant to the program as ARRA award period has ended.

Finding 10-20:

Program: Department of Health and Human Services, Health Division
Public Health Emergency Preparedness, CFDA 93.069
HIV Care Formula Grants, CFDA 93.917
Immunization Cluster:
Immunization Grants, CFDA 93.268
ARRA – Immunization, CFDA 93.712A

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division did not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

As part of our audit procedures, we tested a sample of subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Health Division did not review audit reports for findings for all subrecipients.

State's Response: The Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and has enhanced the process for ensuring all required audits are completed and forwarded to the Health Division.

Since A-133 audits are to be completed within nine months of the end of the fiscal year, the Contract Manager collects and reviews the reports that have been submitted and has established a spreadsheet to monitor and follow up on reports which have not been turned in.

All reports are initially reviewed by the Contract Monitor to determine if there are any findings. If no findings are noted, the Contract Manager initials the audit report and files it. If there are findings, the Contract Manager sends the report to the Administrative Services Officer IV for the Division, who reviews the findings therein. The ASO IV then assigns the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person then implements the action required, in consultation with the ASO IV, up to and including corrective action plans, and follow up until the required action is complete. Once reviewed, the Administrative Services Officer IV initials the report and the spreadsheet maintained by the Contract Monitor is then updated to reflect this action. The reports are then filed within the Division's Financial Services Unit file room. The policy and procedure for reviewing audit reports, issuing management decision on audit findings, implementing necessary corrective actions, and follow up activities has been developed and will be updated to reflect additional follow-up measures regarding decisions issued and corrective actions taken.

Finding Status: Partially corrected.

Finding 10-23:

Program: Department of Health and Human Services, Aging and Disability Services Division HIV Care Formula Grants, CFDA 93.917

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt and use of program income.

During our reconciliation of the HIV Care Formula Grant expenditures to the SEFA, we noted that program income transferred to and expended by the Nevada Aging and Disability Services Division was not included on the SEFA, which resulted in Federal expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.

State's Response: The Division has procedures in place for single audit reporting of all Division grants. Reporting for the HIV Care Formula Grant was overlooked, as it is a part of the Senior and Disability Rx program that was transferred to the Division July 1, 2009, and there was some confusion regarding what type of funding was used to support the sub-grant from Health e.g. general fund or federal funds. On January 6, 2011, the Controller's Office contacted the Health Division and requested ADSD complete the single audit report for the amount transferred to the Division for the HAX grant. ADSD completed the report shortly after the request.

The Division has added the HAX grant to their single audit reporting requirements and will assure future reporting is completed by the stated deadlines. These actions are the responsibility of the ASO I and are reviewed by the ASO III.

For fiscal year 2012, the Health Division transferred only General fund money for the HAX program. Therefore, a single audit report is not required for SFY 2012. In January 2012, the Centers for Medicare and Medicaid Services (CMS) extended Part D gap Rx discounts to AIDS Drug Assistance Programs, which were formerly only extended to State Pharmaceutical Assistance Programs. This change allowed the Health Division to receive Rx savings without utilizing the Senior Rx/Disability Rx program. The Senior Rx/Disability Rx program no longer receives funds from the Health Division for FY 2013.

Finding Status: Corrected.

Finding 10-29:

Program: Office of the Attorney General
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
ARRA – Medical Assistance Program, CFDA 93.778A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada Office of the Attorney General is required to submit quarterly SF-269 Financial Status Reports.
During testing of two quarterly SF-269 Financial Status Reports submitted during fiscal year 2010, we noted a formula error in the supporting spreadsheets that caused total program income reported to be understated by $102,698 and $200,987 for the December 21, 2009 and March 31, 2010 reports, respectively.

State's Response: The formula error found consisted of subtracting one line on the SF269 spreadsheet twice (line 10i) to come up with the total Program Income Realized. This formula has since been corrected.

Written policies and checklists have been developed for the quarter beginning January 1, 2011 through March 31, 2011.

Finding Status: Corrected.

Finding 10-30:

Program: Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588
ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the Section1512 ARRA report submitted for the quarter ended March 31, 2010 for grant award 2009-EF-S6-0006, we noted the supporting documentation did not reconcile to the accounting system which caused total expenditures reported to be understated by approximately $107,000. We also noted that the total Federal ARRA funds received/invoiced amount reported represented the expenditure amount rather than the amount received/invoices.

State's Response: Our Grant Management Policies have been revised to address deficiencies as reflected by findings 10-30 and 10-32. Existing staff has been trained on the revised policies and a fiscal specialist has been hired to assist the grants unit to perform timely and consistent financial monitoring of claims for grant funds. In addition to ongoing monitoring of the adherence to these policies, ARRA 1512 reporting will be reviewed by two staff members on a quarterly basis to ensure accuracy and that federal guidelines are followed. During the last month of every fiscal quarter, the fiscal assistant and grants unit supervisor meet to review the fiscal data and ensure that proper reconciliation to the State accounting system occurs.

Finding Status: Not corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 10-32:

Program: Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588
ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our audit procedures we tested disbursements of ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients.

State's Response: Our Grant Management Policies have been revised to address deficiencies as reflected by findings 10-30 and 10-32. Existing staff has been trained on the revised policies and a fiscal specialist has been hired to assist the grants unit to perform timely and consistent financial monitoring of claims for grant funds. In addition to ongoing monitoring of the adherence to these policies, ARRA 1512 reporting will be reviewed by two staff members on a quarterly basis to ensure accuracy and that federal guidelines are followed. During the last month of every fiscal quarter, the fiscal assistant and grants unit supervisor meet to review the fiscal data and ensure that proper reconciliation to the State accounting system occurs. Grants unit staff now work with accounting staff to ensure all sub-grantees receiving ARRA funding are given proper notification consistently and correctly on reimbursement instruments.

Finding Status: Not corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-1:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CRF Part 5.5(a)(3)(ii)(A), "Labor Standards Provision Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor and subcontractors to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel for three contractors and their subcontractors. Certified weekly payrolls were submitted in all instances except one, in which a subcontractor payroll was missing. For those that were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

State's Response: The Department is currently in the process of revising our procedures. The implementation date has been extended by the Federal Highway Administration until October 2012.

Finding Status: Not corrected.

Finding 11-2:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. Management decision is the evaluation of audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

As part of our audit procedures, we tested a sample of subrecipients to verify that the Nevada Department of Transportation ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that audit reports for three of the nine subrecipients tested included audit findings related to the Highway Planning and Construction Cluster, and the Nevada Department of Transportation did not issue management decisions for those findings or monitor the corrective action plan.

State's Response: The Department has implemented procedures to ensure that the Department issues management decisions and monitors the corrective action plans of single audit reports submitted by sub-recipients.

Finding Status: Corrected.

Finding 11-3:

Program: Department of Transportation
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219
Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the Nevada Department of

Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205 and 637.207).

Our procedures included reviewing documentation of test results to verify that tests were being performed in accordance with the quality assurance program. Two of 13 Federally funded construction projects completed during the year were tested. One of the projects required seven types of tests to be performed at varying frequencies. Documentation that quality assurance testing was performed for four types of those tests could not be located, although the Nevada Department of Transportation represented that they had been performed. Additionally, there was not adequate support that an appropriate number of tests were performed for the remaining three types of tests. As a result, we were unable to verify that the proper type and number of tests were made in accordance with the quality assurance program.

State's Response: We are continuing to enhance our procedures to ensure that required tests are performed as prescribed by the quality assurance program and that evidence of the testing performed is retained. This includes increased communication between headquarters Quality Assurance Section staff and District Construction staff as well as between the Construction Division administration and the District administration. The importance of the required testing will continue to be emphasized at annual inspection and testing training provided by the Construction Division and at the annual Resident Engineer's Academy and the annual Resident Engineer's Conference. In February 2012 the Construction Division began preparing the initial Acceptance Testing Frequency Report (Form 040-075) on all new contracts for the Resident Engineer. This will help the Resident Engineers in planning and preparing for their testing programs. It is noted that this audit represents contracts closed in fiscal year 2011. This could include contracts where construction was actually completed two years prior to contract closeout. What this means is there may be completed construction projects in various stages of contract closeout with similar issues to the finding noted above that have not been identified yet. And that it may take time for issues like this to work out of the process. For the purposes of Single Audits the benefits of quality assurance program enhancements implemented in 2012 may not be fully realized until several years later when the new contracts covered by the enhanced procedures are closed out (i.e. fiscal year 2014 and later). This will be done with oversight and technical guidance provided by the Chief Construction Engineer.

Finding Status: Not corrected.

Finding 11-4:

Program: Department of Conservation and Natural Resources, Division of State Parks
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205
ARRA – Highway Planning and Construction, CFDA 20.205A
Recreational Trails Program, CFDA 20.219

Surface Transportation Infrastructure, CFDA 20.933
Appalachian Development Highway System, CFDA 23.003

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that a pass-through entity is responsible for determining whether, for subawards made on or after October 1, 2010, an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before the award.

As part of our testing over subrecipient monitoring, we reviewed a sample of three out of 23 subrecipient awards, and two of the three were made after October 1, 2010. We noted that the State did not obtain the subrecipient's DUNS number in the grant application or before those two awards were made, and program personnel represented that they were not aware of the requirement.

State's Response: The DUNS numbers are now a part of the grant application and the grant award process and paperwork. No grant is awarded without a DUNS number. Current grantees were all contacted and have provided DUNS numbers.

Finding Status: Corrected.

Finding 11-5:

Program: Department of Public Safety, Division of Emergency Management-Homeland Security
Homeland Security Cluster:
Homeland Security Grant Program, CFDA 97.067
State Domestic Preparedness Equipment Support Program, CFDA 97.004

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement* each State shall obligate not less than 80 percent of grant funds under the State Homeland Security Program (SHSP), Law Enforcement Terrorism Prevention Program (LETPP) and Urban Areas Security Initiative (UASI) programs to local units of government, and under the FY 2008-2010 awards for the SHSP and UASI programs, States must obligate funds for subgrants within 45 days after the date of the grant award. "Obligate" means there must be an action by the State to establish a firm commitment; the commitments must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.

During our audit, we tested obligations made by the State for the FY 2010 award, which included SHSP and UASI program funds. Although we noted that an adequate amount of UASI funds were obligated to local governments, we found that approximately 65 percent of the SHSP funds were obligated for pass-through grants to local governments. The State budgeted approximately 22 percent of SHSP funds for State-administered projects that benefit local governments, such as training exercises that the local governments participate in; however, the funds for those projects were not "obligated" to local governments, as defined above.

State's Response: A memorandum of understanding (MOU) is required in the FFY 2012 grant guidance. The division has the MOU in draft and will attach the MOU to the FFY 2012 grant sub awards. The division anticipates the receipt of the federal award by September 30, 2012, and the sub awards will be issued by November 15, 2012. The MOU should be signed and in place by December 31, 2012.

Finding Status: Partially corrected.

Finding 11-6:

Program: Department of Public Safety, Division of Emergency Management-Homeland Security
Homeland Security Cluster:
Homeland Security Grant Program, CFDA 97.067
State Domestic Preparedness Equipment Support Program, CFDA 97.004

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. Management decision is the evaluation of audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

As part of our audit procedures, we tested five out of 48 subrecipients to verify that the Nevada Division of Emergency Management ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that audit reports for two of the five subrecipients tested included audit findings related to the Homeland Security Cluster, and the Nevada Division of Emergency Management did not issue management decisions for those findings or monitor the corrective action plan.

State's Response: Written procedures have been developed and implemented to ensure management decisions are completed within six months for sub-recipient audit findings. The management decisions request corrective actions as appropriate, and are closed upon satisfactory completion of the sub-recipient's corrective action. This is being completed by the Compliance Officer, under the supervision of the Grants Section Manager.

Finding Status: Corrected.

Finding 11-7:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. The U.S. Department of Energy issued *SEP Program Notice 10-008B, Guidance For State Energy Program Grantees on Financing Programs*, which provides that all program income, including interest earned, is subject to the terms and conditions of the original grant, and that federal funds used to capitalize a revolving loan fund maintain their federal character in perpetuity, and federal requirements apply at each revolution of the revolving loan funds.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs.

During our reconciliation of the State Energy Program (SEP) American Recovery and Reinvestment Act (ARRA) expenditures to the SEFA, we noted that the State has created a revolving loan fund that was capitalized with SEP ARRA funds, and there was program income from interest earned on cash balances and interest earned on loans that was not included on the SEFA. Additionally, principal amounts that had been repaid to the revolving loan fund and subsequently re-loaned were not reported as program expenditures on the SEFA.

State's Response: The Department of Administration has implemented a process in the policies and procedures to record and report Schedule of Expenditures of Federal Awards (SEFA) interest as program income and re-loaned as revolving loan expenditure. In addition, the interest income and resulting revolving loan expenditures will be included on the Single Audit Report Form (SARF) through the Controller's Office.

Finding Status: Not corrected.

Finding 11-8:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements and include all activity of the reporting period.

The Nevada State Office of Energy is required to submit quarterly Standard Form (SF) 425 Financial Reports for each State Energy Program award. We tested two reports submitted during the fiscal year.

During testing of a quarterly SF-425 Financial Report submitted for the quarter ended December 31, 2010 for grant award EE0003761, we noted that line 10.b. *Cash Disbursements*, was not populated, although there had been disbursements of grant funds.

During testing of a quarterly SF-425 Financial Report submitted for the quarter ended March 31, 2011 for ARRA grant award EE0000084, we noted that lines 10.l. through 10.o., *Program Income*, were not populated, although program income had been received in the form of interest related to a SEP revolving loan fund.

State's Response: Systems are being put in place to ensure all information on the 425's are reviewed by the SEP Manager before submitting. For future submittals in FY2013, new policies are in place and will be included on the NSOE's Internal Control's/Policies and Procedures. The information reported on every SF-425 is now reviewed by the NSOE Fiscal Manager and the Budget Analyst at Administrative Services. NSOE budget information is balanced with the Administrative Services Division's records and DAWN prior to the completion of the SF-425. SF-425's will be completed and signed by the FM (no longer done by the Energy Program Managers). The SF-425 report is then reviewed by the Energy Program Manager for final review prior to submittal.

Finding Status: Not corrected.

Finding 11-9:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) title and number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing, we reviewed subgrant awards for three State Energy Program subrecipients that received ARRA funds during the year. During this testing we noted that the three awards tested included an incorrect Federal award number and CFDA number, and two of those did not include the CFDA title.

State's Response: The NSOE sub-award information sheet includes all information required to be provided to sub recipients, including the CFDA number and title.

Finding Status: Corrected.

Finding 11-10:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our audit procedures, we tested disbursements of ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients.

State's Response: We have developed a system with the Department of Administration to ensure that all information required to be provided to sub recipients under ARRA is communicated to the sub recipients at the time of disbursement of funds. The CFDA, Federal award number and ARRA are now printed on all checks issued to sub recipients.

Finding Status: Not corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-11:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our audit procedures, we tested 34 disbursements of ARRA funds and noted that two were payments directly to contractors on behalf of subrecipients. The State did not communicate the required ARRA information regarding the payments made on behalf of those subrecipients.

State's Response: We have developed a system with the Department of Administration to ensure that all information required to be provided to sub recipients under ARRA is communicated to the sub recipients at the time of disbursement of funds.

Finding Status: Corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-12:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Office of Energy did not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

As part of our audit procedures, we tested two out of 20 subrecipients who received awards in the prior year to verify that the Nevada State Office of Energy ensured that the required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Office of Energy did not obtain and review audit reports for findings for the subrecipients.

State's Response: Systems are being developed and implemented to receive and review required audit reports from all current and new subrecipients. The NSOE's Internal Controls are being revised to include these procedures.

Finding Status: Not corrected.

Finding 11-13:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* states 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. Pass-through entities must monitor cash draws by subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

We performed testing for five out of 22 subrecipients who had received State Energy Program awards. During that testing we identified that funds had been advanced to three of the subrecipients. In one instance, $358,600 was advanced to the subrecipient in April of 2010, and there was no evidence that the funds had been expended by the subrecipient as of June 30, 2011. In another instance, we noted that $30,500 was provided to the subrecipient in May 2011, and there was no evidence that the funds had been expended by the subrecipient as of June 30, 2011.

State's Response: This action was limited to two special instances regarding the advancement of funds, which has not occurred since receipt of the audit findings.

Finding Status: Corrected.

Finding 11-14:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that the pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of grant agreements and that performance goals are achieved.

During our testing of subrecipient monitoring, we tested a sample of five subrecipients, including three who received cash advances, and identified that the subgrant awards included a requirement to submit monthly or quarterly progress and financial reports. We also noted that the Nevada State Office of Energy Accountability and Compliance Plan includes the review of subrecipient reports as a key monitoring procedure. Evidence that those reports were routinely received from the subrecipients was not available.

State's Response: Progress and financial reports are provided with all invoices and are reviewed by the Program Manager to ensure compliance with the grant and ensure that performance goals are on target. Progress reports are ongoing until the close of the grants.

Finding Status: Corrected.

Finding 11-15:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041

ARRA – State Energy Program, CFDA 81.041A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* refers to the Code of Federal Regulation Title 2 CFR 176.50(c), which requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing over ARRA subawards, we reviewed whether the Nevada State Office of Energy ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that although the requirement to register was included in the three subawards examined, subrecipient compliance with the CCR registration requirement had not been verified.

State's Response: Monitoring of the CCR's for first tier recipients was put into place immediately following receipt of the audit findings.

Finding Status: Not corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-16:

Program: Office of the Governor, State Office of Energy
State Energy Program:
State Energy Program, CFDA 81.041
ARRA – State Energy Program, CFDA 81.041A

Finding Summary: *OMB Circular A-133* prohibits non-Federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. The entity must verify that the contracted entity is not suspended or debarred by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the contract.

We tested the State's procedures for entering into revolving loan, professional service, and construction-type contracts for this program. We tested two out of nine construction-type contracts that were administered by the State Public Works Division, and found that neither the bid documents nor contracts contained a clause or certification that the contractor was not a suspended or debarred party. In addition, review of the Excluded Parties List System (EPLS) was not documented by State personnel before awarding the contracts.

State's Response: The SPWD Instruction to Bidders (ARRA Grant Projects) was revised as follows: *A contract award with an amount expected to equal or exceed $25,000 shall not be made to any contractor listed on the government-wide Excluded Parties List System (EPLS). Any bid received from an excluded contractor will be returned to the bidder* *unopened.* This document was revised as noted immediately after receipt of the audit findings and is in use now for all relevant projects.

SPWD has also confirmed that they conducted training immediately after revising the Instructions to Bidders to make staff aware of the new language and implementation of the same.

Finding Status: Corrected.

Finding 11-17:

Program: Department of Business and Industry-Housing Division
Weatherization Assistance of Low-Income Persons:
Weatherization Assistance for Low-Income Persons, CFDA 81.042
ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* refers to the Code of Federal Regulation Title 2 CFR 176.50(c), which requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing over ARRA subawards, we reviewed whether the Nevada Department of Business and Industry-Housing Division ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that the requirement to register was not included in the ARRA subaward examined, and there was no evidence that subrecipient compliance with the requirement had been verified.

State's Response: The Nevada Housing Division monitors subrecipients who received ARRA funding to ensure CCR registration are current. This is done by or under the supervision of the Grants and Projects Analyst III.

Finding Status: Corrected.

Finding 11-18:

Program: Department of Business and Industry-Housing Division
Weatherization Assistance of Low-Income Persons:
Weatherization Assistance for Low-Income Persons, CFDA 81.042
ARRA – Weatherization Assistance for Low-Income Persons, CFDA 81.042A

Finding Summary: *OMB Circular A-133* provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.

As part of our testing over subrecipient monitoring, we reviewed two of 12 subrecipient awards for communication of required information, and noted that the assurances included for one of the awards did not include the CFDA number.

State's Response: Policies have been put in place which require the review of all grants by at least 2 staff members prior to mailing grant awards to subgrantees. After review by the program manager of the subrecipient awards, they are given to the accounting department to make sure all required information is contained in all grants.

Finding Status: Corrected.

Finding 11-19:

Program: Department of Education
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027
Special Education – Preschool Grants, CFDA 84.173
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

The Nevada Department of Education is required to submit an annual *Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (special report)* for the Special Education Cluster program. This is the first year the Nevada Department of Education was required to submit the information electronically through the Education Data Exchange Network (EDEN).

During testing of the report information submitted during the year ended June 30, 2011, we noted that the total enrollment of special education students as reported through EDEN did not agree to the support retained by the Nevada Department of Education of actual enrollment of special education students in the State, and the total number of students reported through EDEN was understated by 70 students. We were unable to determine if the variance was caused by erroneous information submitted in EDEN or due to manipulation of data that may have occurred in the EDEN system.

State's Response: A dated transmittal memorandum indicating the total number of students included is prepared and sent at two points in the child count data processing: (1) when NVSEARS is advised that special education child count data raw data processing has been completed and the files are ready for EDEN preparation, and (2) when the NDE is advised that EDEN files in NVSEARS are ready for uploading in EDFacts. The "transmittal memorandum" may be accomplished by email. Discrepancies are resolved at each step. When the child count data are uploaded by the NDE in EDFacts, the reports are verified to ensure that the child count reported in EDFacts matches the child count reported in the transmittal memorandum. Errors are promptly corrected so that reporting is timely and accurate.

Finding Status: Corrected.

Finding 11-20:

Program: Department of Education
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027
Special Education – Preschool Grants, CFDA 84.173
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: *OMB Circular A-133* provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.

The State of Nevada utilizes the Electronic Plans, Applications, Grants and Expenditures (ePAGE) system for grants management. Funding applications, awards and cash draws are all made through ePAGE. ePAGE displays award information, including the award amount and CFDA number. We identified an award that was funded with two Federal sources, but the award communication to the subrecipient indicated the funds were strictly Special Education – Grants to States funds.

As part of our testing of 14 payments made to subrecipients, we examined the supporting documentation for each, and noted one instance where the screen print, which was visible by the subrecipient when making a cash request, indicated the CFDA number the draw was being made against was 84.027, but the subrecipient was actually paid with a combination of funds from Special Education-State Program Improvement Grants for Children with Disabilities (CFDA 84.323) and Special Education (CFDA 84.027).

State's Response: During the month of February of 2012, the Department contacted the ePage programmers and had a separate application created for the Nevada State Personnel Development Grant program (SPDG), CFDA 84.323. The balance of the sub awards have been moved to the SPDG grant allocation in ePage.

Finding Status: Corrected.

Finding 11-21:

Programs: Department of Education
Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027
Special Education – Preschool Grants, CFDA 84.173
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

For the fiscal year 2010 audit, we identified instances in which the Nevada Department of Education did not identify at the time of disbursement of funds the required information as described above. In response to the finding reported, the Nevada Department of Education implemented corrective action, which took effect in March 2011.

We tested 29 of the 123 ARRA disbursements made to subrecipients for the Title I and Special Education Clusters during the year. During our testing, we noted that ARRA information was not identified as such at the time of disbursement to the subrecipient for 21 of the disbursements tested, including one of six tested for Special Education and five of ten tested for Title I that were paid subsequent to the implementation of corrective action for the finding reported for fiscal year 2010.

State's Response: On May 1, 2011 the Department started including on the memo line of all ARRA disbursements information specifically identifying a payment as ARRA funds. The Department will continue to include the identifying information and closely monitor all ARRA payments to be sure the required information is communicated to the sub recipients.

Finding Status: Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-22:

Programs: Department of Education
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027
Special Education – Preschool Grants, CFDA 84.173
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the Section 1512 ARRA reports submitted for the quarter ended March 31, 2011, we noted that amounts reported as invoiced/received and/or expenditure amounts did not agree to supporting documents and the accounting records.

State's Response: The Nevada Department of Education adjusted the timing of payments to the Local Education Agencies (LEA's). The payments are made before the 5th day before the end of the month so that a payment sent by the Department is received in time to be reported as received in the same quarter for reporting the 1512. This will allow the amounts reported by the Department to match the amounts reported by the LEA's on the 1512 reports.

Finding Status: Title I, Part A: Corrected.
Special Education Cluster: Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-23:

Program: Department of Education
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:
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010:
ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A:
Special Education Cluster:
Special Education – Grants to States, CFDA 84.027:
Special Education – Preschool Grants, CFDA 84.173:
ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:
ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Finding Summary: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

In addition, the Department of Education has policies and procedures in place to ensure that each of the draw requests is approved by an individual independent of preparation prior to requesting payment from the Federal Agency.

The National School Lunch Program (CFDA 10.555), Title I Grants to Local Educational Agencies (CFDA 84.010), and Special Education – Grants to States (CFDA 84.027) were covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2011. The terms of that agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance funding technique for the programs listed above.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada Department of Education did not always adhere to the specified funding techniques.

The Average Clearance funding technique provides that the State shall request funds such that they are deposited via Automated Clearing House (ACH) in a State account on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified for the program. The specified clearance patterns are as follows:

> 10.555 – National School Lunch Program – 4 days
> 84.010 – Title I Grants to Local Educational Agencies – 4 days (administrative component only)
> 84.027 – Special Education – Grants to States – 3 days (administrative components only)

In most instances the Nevada Department of Education calculates the amount of Federal funds to request based on check dates and estimated administrative expenditures recorded as issued in the accounting system, rather than following the clearance patterns listed above. We noted exceptions for six of six draws tested for CFDA 84.010, for two of three tested for CFDA 10.555, and for one of four tested for CFDA 84.027.

In addition, for three of the 13 requests tested, it was noted that the draw requests had not been approved by someone other than the preparer prior to requesting the funds from the Federal agency.

State's Response: The Nevada Department of Education has reviewed the Treasury-State agreement and draws funds based on the clearance patterns described in the agreement for each of the specified programs.

Finding Status: Child Nutrition Cluster: Not corrected.
Title I, Part A Cluster: Corrected.
Special Education Cluster: Corrected.

Finding 11-24:

Program: Department of Education
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A

Finding Summary: As noted in *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, the cost must be determined in accordance with generally accepted accounting principles.

As part of our testing over Allowable Costs/Cost Principles, we tested a sample of 40 transactions for conformance with the criteria contained in the "Basic Guidelines" section of OMB Circular A-87. For one of the transactions selected, the cost was incurred prior to June 30, 2010, but recorded as an expenditure in the year ended June 30, 2011. The expenditure was for reimbursement to a subrecipient for expenditures through June 29, 2010, and this request was received by the Nevada Department of Education on that date. Payment was made to the subrecipient on August 11, 2010. As such, in accordance with generally accepted accounting principles, this transaction should have been accrued in the year ended June 30, 2010.

State's Response: The Department reviews more closely the receipt date of all requests for payment to ensure they are recorded in the state accounting system in accordance with generally accepted accounting principles.

Finding Status: Corrected.

Finding 11-25:

Programs: Department of Education
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A
Education Jobs Fund, CFDA 84.410

Finding Summary: The *OMB Circular A-133 Compliance Supplement* refers to the Code of Federal Regulation Title 2 CFR 176.50(c), which requires that recipients and their first-tier recipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing over ARRA subawards, we reviewed whether the Nevada Department of Education ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that the requirement to register was not included in the subawards examined, and there was no evidence that subrecipient compliance had been verified by the Nevada Department of Education.

State's Response: All sub recipients were alerted to the need to register in the Central Contractor's Registration system, and to inform the Department of registration or renewed registration. The NVDOE Assistant Chief Accountant sends email reminders for information in May of each year before new grant applications are started.

Finding Status: Corrected.

Finding 11-26:

Program: Department of Education
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A
Education Jobs Fund, CFDA 84.410

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

As part of our testing, we reviewed awards to subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we noted that the four awards tested did not identify the amount of ARRA funds nor the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms. The awards included under CFDA 84.410 also did not include the Federal award number.

In addition, we determined that there was a combined total of 124 ARRA disbursements made to subrecipients for the two programs during the year. We tested 45 of those disbursements, and in 33 instances, we found that ARRA information was not identified as such at the time of disbursement to the subrecipient.

State's Response: The Department includes the required information when awarding ARRA funds for all sub awards and also at the time of the disbursement of funds.

Finding Status: School Improvement Grants Cluster: Partially corrected.

Education Jobs Fund: Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-27:

Program: Department of Education
Education Jobs Fund, CFDA 84.410

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report cumulative draws/funds requested and the cumulative expenditure amounts no later than the 10^{th} day after the end of each calendar quarter. The information is to be submitted through www.Federal Reporting.gov, the online Web portal that will collect all Recovery Act recipient reports. All reports submitted pursuant to Section 1512 of the Recovery Act are made available on www.Recovery.gov.

We attempted to test information submitted for the quarter ended March 31, 2011. Although State personnel represented that the Section 1512 ARRA reports were submitted, we were unable to locate the report for the State of Nevada for the Education Jobs program on Recovery.gov. In lieu of testing reports obtained from Recovery.gov, we examined information provided by the State, which had been printed from FederalReporting.gov. During that testing, we noted that amounts reported as expenditures were understated by $1,737 in comparison to supporting documents and the accounting records, and the document included a "last modified" date of April 13, 2011.

State's Response: The Nevada Departments of Education and Administration compare amounts recorded at each department for reconciliation of the 1512 reports for the Department of Administration and the sub recipients prior to submitting the ED JOBS report on FederalReporting.gov.

Finding Status: Corrected.

Finding 11-28:

Program: Department of Education
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:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that a pass-through entity is responsible for determining whether, for subawards made on or after October 1, 2010, an applicant for a non-ARRA subaward had provided a Dun and

Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award.

As part of our testing over subrecipient monitoring, we reviewed subrecipient award documentation for evidence that the applicants provided DUNS numbers prior to issuance of the subawards. There was no documentation available to support that DUNS numbers were obtained prior to issuance, and the program personnel represented the DUNS numbers were requested subsequent to the issuance in order to complete the Federal Funding Accountability and Transparency Act (FFATA) reports.

State's Response: The Child Nutrition Cluster is an entitlement program and as such does not issue awards but issues reimbursement for approved claims submitted on a monthly basis. Child Nutrition sponsors do enter into agreements with the Nevada Department of Education to participate in Child Nutrition Cluster Programs. Prior to October 2011 the Office of Child Nutrition and School Health was not collecting DUNS numbers for all sponsors but did begin collection of DUNS numbers in November of 2011.

The Office of Child Nutrition and School Health have updated the Child Nutrition sponsor applications to include DUNS numbers. Child Nutrition sponsors are not able to submit an application unless the DUNS number section has been completed.

Finding Status: Corrected.

Finding 11-29:

Program: Department of Education
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:

Finding Summary: *The Federal Funding Accountability and Transparency Act (Transparency Act)* includes subaward reporting requirements. The requirements apply to direct recipients of certain grants who make first-tier subawards.

The Nevada Department of Education is required to report information related to a subaward by the end of the month following the month in which a subaward or obligation of $25,000 or greater was made, and the information for the action should be reported through the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS).

As part of our audit procedures, we tested key line items for a sample of 19 actions reported during the year ended June 30, 2011, for the programs included in the Child Nutrition Cluster. We noted that the Nevada Department of Education did not properly report the subaward data through the FSRS. In ten of those instances, the actions reported related to the obligation of funds that were not included in the Child Nutrition Cluster. For the remaining reported actions, we were unable to agree the key data elements to supporting records and most of the actions were not reported timely.

State's Response: The Nevada Department of Education has already corrected the reporting errors in FSRS. Additional training has been provided by the United States Department of Agriculture Western Region Office for the FSRS.

Finding Status: Requirement no longer relevant as FFATA report testing will not be required in fiscal year 2013.

Finding 11-30:

Program: Department of Education
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:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

The Nevada Department of Education is required to submit quarterly Financial Status Reports for the Child Nutrition Cluster awards.

During testing of the Financial Status Report submitted for the quarter ended March 31, 2011, we noted that the Total Federal Share of Outlays reported for the Summer Food Service and School Programs did not agree to the underlying accounting records.

State's Response: The Office of Child Nutrition and School Health will ensure that the underlying accounting documentation for Financial Status Reports will match and that the Accountant Technician I will review documentation to ensure the match.

Finding Status: Not corrected.

Finding 11-31:

Program: Department of Education
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:

Finding Summary: *OMB Circular A-133* provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.

As part of our testing over subrecipient monitoring, we reviewed ten subrecipient awards for communication of required information, and noted that the awards did not include the award name and number. Three of the subrecipient awards tested did not include the CFDA number, and one subrecipient award only included two of the three applicable CFDA numbers.

State's Response: The Nevada Department of Education includes the CFDA number for each Child Nutrition Program on the agreements.

Finding Status: Corrected.

Finding 11-32:

Program: Department of Administration, Purchasing Division-Food Distribution Program
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:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found instances where expenditures related to commodity food distribution were not reported to the Controller's Office.

State's Response: The Food Distribution Program has conducted a meeting with the Controller's Office to discuss enhancements to our controls. Additionally, the Food Distribution Program has set calendar alerts to follow up with the Controller's office to verify our submissions are received by them.

Finding Status: Corrected.

Finding 11-33:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

Finding Summary: U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

The WIC program was covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2011. The terms of this agreement specify that the recipient, Nevada State Health Division, will request Federal funds for the Administrative component of expenditures in accordance with the Average Clearance funding technique and for the Program component of expenditures in accordance with the Estimated Clearance funding technique.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada State Health Division did not follow the funding techniques specified in the Treasury-State Agreement for the Administrative and Program components.

For the Administrative component, the Average Clearance funding technique specifies that the State shall request funds such that they are deposited by Automated Clearing House (ACH) in a State account on a dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified for the program. The specified clearance pattern is three days.

We noted that the Nevada State Health Division calculated the Administrative component request for Federal funds based on expenditures pending issuance in the accounting system and the calculation did not consider the actual issuance date for outstanding check disbursements. In addition, during our testing of the supporting documents for the draw requests, we noted an instance where funds for the Administrative component were drawn in advance due to an inaccurate computation of Peer Counseling and Administrative expenditures.

For the Program component, the Estimated Clearance technique specifies that the State shall request funds such that they are deposited by ACH in a State account in accordance with an estimated clearance pattern. The State of Nevada, Controller's Office, has established a Memorandum of Agreement (MOA) with the Nevada State Health Division which serves as the basis for the Treasury-State Agreement. The MOA provides that for the "Program component (food coupon redemption) funds will be drawn one day after transferring funds to First State Bank of Lake Lillian and the draw will be based on the prior four-week average amount of coupons redeemed." During our testing, we noted that food coupons are no longer utilized and have been replaced with Electronic Benefit Transfer (EBT) food instruments; funds are drawn on a weekly basis although funds are transferred to the EBT administrator, which is now JPMorgan Chase, several times a week; and the amount drawn is not based on the prior four-week average of coupons redeemed (or food sales). In addition, we noted that draws for the Program component included amounts for food costs related to infant formula, which is not included in the MOA.

State's Response: The Division has amended the existing Treasury-State agreement, and has implemented the correct procedures to draw WIC funds in an appropriate manner. Specifically, the following procedures have been implemented:

- The Division has begun to draw only the amount of food funds to cover the previous day's food expenditures.
- The Division has changed the timing of the draws, waiting two days to draw NSA and Special Formula food funds after the vouchers acceptance into the state system.
- Policies and procedures for drawing funds are in the process of being finalized with an estimated completion date of October 12, 2012.

Finding Status: Corrected.

Finding 11-34:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

The Nevada State Health Division did not monitor all of its subrecipients' audit reports timely to identify findings, issue management decisions, and ensure corrective actions were taken.

As part of our audit procedures, we tested three out of 15 subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Health Division did not obtain and review audit reports for findings on a timely basis for the two subrecipients who were subject to a single audit, and a management decision was not issued for one subrecipient whose report included a WIC program finding.

State's Response: The Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

The Division's Contract Monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and has enhanced the process for ensuring all required audits are completed and forwarded to the Division.

- As A-133 audits are to be completed within nine months of the end of their fiscal year end, the Contract Monitor collects those reports which have been submitted and follows up on those which have not. E-mail listings have been compiled to facilitate reminders for audit report submissions. The Contract Manager is in the process of finalizing the listings with an estimated completion date of October 12, 2012.

All reports are disseminated to the Administrative Services Officer IV for the Division, who reviews the audit reports for any findings therein. The ASO IV then assigns the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person then implements the action required, up to and including corrective action plans, and then follows through until the required action is complete. The policy and procedure for reviewing audit reports, issuing management decision on audit findings, implementing necessary corrective actions, and follow up activities has been developed and will be updated to reflect additional follow-up measures regarding decisions issued and corrective actions taken.

Once reviewed, the Administrative Services Officer IV initials the report and the spreadsheet maintained by the Contract Monitor is updated to reflect this action. The report is then filed within the Division's Financial Services Unit file room.

Finding Status: Partially corrected.

Finding 11-35:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, State agencies administering the WIC Program must establish an ongoing management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans, and on-site reviews. The on-site reviews of local agencies shall include evaluation of management, certification, nutrition education, civil rights compliance, accountability, financial management systems, and food delivery systems. These reviews must be conducted on each local agency at least once every two years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater (7 CFR section 246.19(b)).

The Nevada State Health Division has divided the monitoring of subrecipients to separate programmatic (clinical operations and food delivery systems) and fiscal management reviews.

As part of our audit procedures, we tested a sample of three subrecipients receiving subawards during the current fiscal year to verify that the Nevada State Health Division conducted on-site programmatic and fiscal reviews at least once every two years. We noted that the Nevada State Health Division performed a programmatic review within the most recent two year period for the three subrecipients. However, an on-site fiscal review had not been conducted for one of the three subrecipients within the required timeframe.

State's Response: The Division undertook actions to improve internal procedures to ensure compliance with the requirement to monitor all WIC sub-recipients with on-site visits at least once every two years. Additionally, the Division's Policies and Procedures were updated to reflect this requirement and include the following basic steps:

- WIC Program Staff have developed an audit schedule to ensure that all sub-recipients receive an on-site fiscal review per schedule every two years. Currently one WIC staff person is assigned to this audit function and two others are in the process of being trained.
- At the completion of each sub-recipient fiscal visit, a report is being prepared within 30 days to document the results.
- All reports are submitted to the WIC Program manager, the Bureau Chief, and the Administrative Services Officer IV for the Division, who review the audit reports for any findings therein. The ASO IV then assigns the appropriate action to the Administrative Services Officer assigned to the WIC budget account. This person then implements the action required, up to and including corrective action plans, and then follows through with the Program Staff until the required action is complete.
- Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities have been developed.

Finding Status: Corrected.

Finding 11-36:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various federal award programs. Federal expenditures should include the receipt and use of program income.

During our reconciliation of WIC expenditures to the SEFA, we noted that expenditures paid with program income were not included on the SEFA.

State's Response: The Division has undertaken actions to improve internal procedures to ensure compliance with the reporting requirements for program income as outlined below:

- The Division has corrected the Single Audit Report to report the rebates for the WIC Program as program income and the report has been re-submitted to the Controller's Office.
- The Division identifies each federal grant that requires the reporting of program income to ensure the reports are completed accurately.
- All reports are reviewed by the assigned Administrative Services Officer, as well as, the Administrative Services Officer III prior to submission.
- Policies and procedures to ensure that each grant award is reviewed for program income reporting requirements, implementing corrective actions, and follow up activities have been developed.

Finding Status: Corrected.

Finding 11-37:

Program: Department of Health and Human Services, Health Division
Immunization Cluster:
Immunization Grants, CFDA 93.268
ARRA – Immunization, CFDA 93.712A

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

We tested two of the five subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We examined the most recent audit reports for those subrecipients and noted that the Nevada State Health Division did not review one of the audit reports until more than 15 months after the subrecipient's year end, and there was no evidence of a review date for the second audit report.

State's Response: The Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

The Division's Contract Monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and has enhanced the process for ensuring all required audits are completed and forwarded to the Division.

- As A-133 audits are to be completed within nine months of the end of their fiscal year end, the Contract Monitor collects those reports which have been submitted and follows up on those which have not. E-mail listings have been compiled to facilitate reminders for audit report submissions. The Contract Manager is in the process of finalizing the listings with an estimated completion date of October 12, 2012.

All reports are disseminated to the Administrative Services Officer IV for the Division, who reviews the audit reports for any findings therein. The ASO IV then assigns the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person then implements the action required, up to and including corrective action plans, and then follows through until the required action is complete. The policy and procedure for reviewing audit reports, issuing management decision on audit findings, implementing necessary corrective actions, and follow up activities has been developed and will be updated to reflect additional follow-up measures regarding decisions issued and corrective actions taken.

Once reviewed, the Administrative Services Officer IV initials the report and the spreadsheet maintained by the Contract Monitor is updated to reflect this action. The report is then filed within the Division's Financial Services Unit file room.

Finding Status: Partially corrected.

Finding 11-38:

Program: Department of Health and Human Services, Aging and Disability Services Division
Early Intervention Services (IDEA) Cluster:
Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181
ARRA – Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires recipients to follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. In addition, the *OMB Circular A-133 Compliance Supplement Department of Education Cross-Cutting Section* states that grantees should draw funds via the G5 System, and permits subrecipients to redistribute drawn amounts between grant awards by making adjustments in the G5 System to reflect actual disbursements for each award, as long as the net amount of the adjustments is zero.

During our testing of cash draws, two of the five cash draws selected did not have adequate supporting documentation from the accounting system to support that funds were being drawn only for immediate cash needs. Additionally, it was noted that significant adjustments were made in the G5 System to redistribute funds between active IDEA grants because the State was not preparing grant draws based on disbursements coded to those grants in the accounting system.

State's Response: The division has revised and implemented their Federal Grants Management policy and draw procedures to include all revenue sources and appropriate federal regulation references. The procedures have also been revised to accurately reflect the current practices Fiscal Unit staff utilize when making cash draws and include clear instructions of what needs to be included as backup in support of draw requests.

Documents for cash draws are being retained to support that the request is for immediate cash needs and draws are to pay for disbursements coded in the award.

Finding Status: Corrected.

Finding 11-39:

Program: Department of Health and Human Services, Health Division
Social Services Block Grant, CFDA 93.667:

Finding Summary: As noted in *OMB Circular A-133*, State cost principles requirements apply to the Social Services Block Grant program. The State of Nevada allocates costs in compliance with *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, which provides that amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, the cost must be adequately documented and allocable to the Federal award. A cost is allocable to a cost objective if the goods or services involved are assignable to a cost objective in accordance with relative benefits received.

As part of our testing over Activities Allowed and Allowable Costs, we tested a sample of 25 transactions for conformance with the criteria contained in *OMB Circulars A-133 and Circular A-87*. We noted that certain charges, including motor pool, email, telephone and wireless telephone costs were allocated to various programs based on the number of personnel positions assigned to the programs. For four of the transactions tested, those types of costs were not allocated to the various programs in proportion to the number of personnel positions assigned to the program, and instead the entire amounts were charged to the Social Services Block Grant program. As a result, amounts not allocable to the Social Services Block Grant were charged to the award.

State's Response: The Division accepted this finding and initiated corrective action to ensure compliance and ensure costs were allowable.

During FY 11 and most of FY 12, coding for bills was not allocated on each monthly bill according to the overall Legislatively approved budget. Instead, each budgeted funding source was used to pay bills until that funding source was exhausted. The correct way would have been to allocate the correct amount of each bill to each revenue source that is funding the expenditure. In addition, the budget will be prepared in the future according to the correct allocation method. Beginning in fiscal year 2013, the monthly bills have been allocated to the correct percentage of each bill to each revenue source that is funding the expenditure.

Finding Status: Not corrected.

Finding 11-40:

Program: Department of Health and Human Services, Division of Child and Family Services
Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include ensuring that benefits paid to or on behalf of the individuals are in compliance with the requirements of the program. In order to receive the Federal share of Foster Care payments, the State must have determined that the child is eligible under the IV-E program.

As part of our testing over eligibility, we reviewed a sample of 40 cases of Foster Care benefit recipients to ensure that appropriate eligibility determinations were made and payment amounts were correct. We noted one case in which the required judicial determinations were not received, resulting in a period of ineligibility for IV-E reimbursement.

State's Response: Fiscal activity was corrected, however the judicial activity is still pending, therefore, DCFS will need to ensure successful completion of the Program Improvement Plan (PIP), Nevada is currently in its second year of its PIP and the court system has been a critical partner the last year for items related to Strategy #3 with a completion date no later than November 2012.

Finding Status: Not corrected.

Finding 11-41:

Program: Department of Health and Human Services, Division of Child and Family Services
Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A
Adoption Assistance – Title IV-E:
Adoption Assistance, CFDA 93.659
ARRA – Adoption Assistance, CFDA 93.659A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that a foster family home provider must satisfactorily have met a criminal records check, including a fingerprint-based check, with respect to prospective foster and adoptive parents. Additionally, a IV-E agency must check, or request a check of, a State-maintained child abuse and neglect registry for prospective foster and adoptive parents and any other adult(s) living in the home in the preceding five years before the State can license or approve a prospective foster or adoptive parent. For interstate cases, the requirements are met by obtaining and retaining a copy of the individual's license from the other State.

As part of our testing over eligibility, we examined a sample of 40 Foster Care and 40 Adoption Assistance cases for appropriate case files that did not include documentation to support compliance with the requirements noted above. One of the foster parent files and one of the adoptive parent files did not include documentation that a fingerprint-based background check was successfully completed. One adoptive parent file did not include documentation that a child abuse and neglect registry check was successfully completed. The license was not obtained for one interstate adoptive parent. Finally, three case files for adoptive parents were not available, and therefore did not provide support of compliance with the requirements.

State's Response: DCFS Foster Care Licensing and Adoption Units have added a Foster Home Checklist face sheet to all Foster and Adoptive files that consists of a check list of required information to include finger print and CANS checks. When creating the files and upon closure, staff ensures that the information is contained in the file prior to sending to archives.

Finding Status: Corrected.

Finding 11-42:

Program: Department of Health and Human Services, Division of Child and Family Services
Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A
Adoption Assistance – Title IV-E:
Adoption Assistance, CFDA 93.659
ARRA – Adoption Assistance, CFDA 93.659A

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

As part of our audit procedures, we tested one of the two subrecipients to verify that the Nevada Division of Child and Family Services ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that the audit report for the subrecipient tested included audit findings related to both the Foster Care and Adoption Assistance programs; however, the Nevada Division of Child and Family Services did not issue management decisions for those audit findings or monitor the corrective actions plans.

State's Response: The DCFS internal auditor ensures compliance with OMB Circular A-133 audit requirements by obtaining copies and monitoring subrecipient audits and issuing a written report to internal management. Procedural instructions have been implemented to include the requirement of issuing a management decision on audit findings of the subrecipient receiving the pass-through of Federal funds from the Division and to monitor the subrecipient corrective action plans.

Finding Status: Corrected.

Finding 11-43:

Program: Department of Health and Human Services, Division of Child and Family Services
Foster Care – Title IV-E:
Foster Care, CFDA 93.658
ARRA – Foster Care, CFDA 93.658A
Adoption Assistance – Title IV-E:
Adoption Assistance, CFDA 93.659
ARRA – Adoption Assistance, CFDA 93.659A

Finding Summary: *OMB Circular A-133* provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, name of the Federal awarding agency, and the provisions of the American Recovery and Reinvestment Act (ARRA) funds, when applicable.

As part of our testing over subrecipient monitoring, we reviewed one of the two interlocal agreements with subrecipients for communication of required information, and noted that the agreements did not include the CFDA title and number nor communication of ARRA provisions.

State's Response: DCFS has added the Catalog of Federal Domestic Assistance (CFDA) title and number to include ARRA provisions to the Nevada Executive Budget documents prepared for the Clark County Child Welfare and Washoe County Child Welfare budget accounts for the pass-through of State and Federal funds to the two counties providing child welfare services.

Finding Status: Corrected.

Finding 11-44:

Program: Department of Health and Human Services, Division of Child and Family Services
Adoption Assistance – Title IV-E:
Adoption Assistance, CFDA 93.659
ARRA – Adoption Assistance, CFDA 93.659A

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, a IV-E agency is required to spend an amount equal to any savings in State expenditures under Title IV-E as a result of applying the differing program eligibility rules to applicable children for a fiscal year to provide any service that is permitted under Title IV-B or IV-E.

The Nevada Division of Child and Family Services applied the differing program eligibility rules during the fiscal year ended June 30, 2011, and represented that the amount of savings that might have occurred as a result was not tracked and procedures were not in place to ensure that those savings were used for services permitted under Title IV-B or IV-E.

State's Response: DCFS has implemented the revised adoption assistance eligibility criteria on child welfare services and a process for tracking the Adoption Subsidies for the "applicable child" in the UNITY system. A manual tracking system is utilized to calculate any savings. To date the applicable youth have been identified, but the final system changes are pending deployment. Therefore, there has been no IV-E claimed to date. Child Welfare Services are isolated in a specific budget account and the adoption subsidies for these youth are still being paid from 100% General Fund. Final implementation of this provision will occur once the UNITY system programming changes have been finalized.

Finding Status: Corrected.

Finding 11-45:

Program: Department of Health and Human Services, Division of Child and Family Services
Adoption Assistance – Title IV-E:
Adoption Assistance, CFDA 93.659
ARRA – Adoption Assistance, CFDA 93.659A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides payments made to or on behalf of eligible individuals are to be calculated in accordance with program requirements. In order to receive Adoption Assistance payments, there must be a written adoption assistance agreement between the adoptive parents and the IV-E agency (the State). The amount of assistance to be paid on a monthly basis is specified in the agreement, and is evaluated on a yearly basis. If the annual evaluation indicates that an adjustment to the assistance amount should be made, based on need or circumstances, an amended adoption assistance agreement should be made.

As part of our testing over eligibility, we reviewed a sample of 40 Adoption Assistance payments to ensure payments were made on behalf of eligible individuals and for the amount specified in the adoption assistance agreement. For three payments, the amount varied slightly from the amount provided in the Adoption Assistance Agreement. For two payments, the amount was significantly higher than the amount specified in the adoption assistance agreement, presumably due to an amendment of the original agreement; however, amended adoption assistance agreements were not available to support the amounts paid.

State's Response: DCFS has distributed a memo from the Administrator to all child welfare caseworkers, supervisors and managers as well as applicable fiscal staff outlining the procedures staff must follow and the importance of sending all amended agreements to the fiscal department immediately upon any change to the current adoption assistance agreement to ensure appropriate payments are made.

In addition, a Quality Improvement review will occur to choose a random sample of cases each year to monitor compliance with the current payments to ensure that they patch with the current adoption subsidy payments. A report of findings will be developed for ongoing Quality Improvement activities.

Finding Status: Corrected.

Finding 11-46:

Program: Office of the Attorney General
Medicaid Cluster:
ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infections (ASC-ADI) Prevention Initiative, CFDA 93.720A
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
ARRA – Medical Assistance Program, CFDA 93.778A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements and include all activity of the reporting period.

The Nevada Office of the Attorney General is required to submit quarterly Standard Form (SF) 425 Financial Reports for each active State Medicaid Fraud Control Units grant.

During testing of the quarterly SF-425 Financial Report submitted for the quarter ended March 31, 2011, we identified a keying error that caused total program expenditures in the report to be overstated by $2,000.

State's Response: Written policies previously developed for the completion of the SF-425 forms have been updated to include more stringent review procedures for the reconciliation of the amounts stated in the SF-425 prior to its filing.

Finding Status: Corrected.

Finding 11-47:

Program: Office of the Attorney General
Violence Against Women Formula Grants
Violence Against Women Formula Grants, CFDA 16.588
ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

The Attorney General's Office is responsible for submitting quarterly 1512 reports for their ARRA grant.

During testing of the Section 1512 ARRA report submitted for the quarter ended March 31, 2011 for the ARRA grant award 2009-EF-S6-0006, we noted the amounts reported did not reconcile to the accounting system, which caused total expenditures reported to be understated by approximately $183,000, and total funds received/invoiced reported to be understated by approximately $185,000.

State's Response: This finding refers to the American Recovery and Reinvestment Act Grant 2009-EF-S6-0006 which began in May 2009. Because multiple state fiscal years in Advantage had been closed out of balance in this regard, it was impossible to fully reconcile DAWN records with the Section 1512 reports for SFY 2011. We were able to fully reconcile all federal reports with grant expenditures and drawdowns upon the final grant progress and fiscal reports when the grant closed April 30, 2012. All reports have been accepted and the award closed by the federal funding agency.

Finding Status: Not corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-48:

Program: Office of the Attorney General
Violence Against Women Formula Grants
Violence Against Women Formula Grants, CFDA 16.588
ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our audit procedures, we tested 25 disbursements; eight of which were for ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients for all eight of those ARRA disbursements tested.

State's Response: All ARRA sub-recipients are individually contacted and monitored quarterly by the Grants and Projects Analyst, who has been our primary contact and expert on ARRA and its reporting since August 2009. She also initiates sub-grantee payment vouchers for grant reimbursements and currently ensures that all ARRA payments note the source of funding in the memorandum area of the payment vouchers for recipients. She began noting this on all ARRA reimbursement vouchers received from December 2011 onwards. We are currently in full compliance with this finding.

Finding Status: Not corrected. Requirement no longer relevant to the program as ARRA award period has ended.

Finding 11-49:

Program: Office of the Attorney General
Violence Against Women Formula Grants
Violence Against Women Formula Grants, CFDA 16.588
ARRA – Violence Against Women Formula Grants, CFDA 16.588A

Finding Summary: *OMB Circular A-133* provides that a pass-through entity is responsible for determining whether, for subawards made on or after October 1, 2010, an applicant for a non-ARRA subaward had provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award

Out of a population of 40 subrecipients receiving program funds in fiscal year 2011, a sample of five was selected for subrecipient monitoring testing. We reviewed the subrecipient awards made in January 2011 and noted that the State did not obtain the subrecipient's DUNS number in the grant application or before those five awards were made, and program personnel represented that they were not aware of the requirement.

State's Response: The VAWA Formula Grant Application for FFY 2011 included a requirement for applicants to register for DUNS and the Central Contractor Registration in order to be eligible for funding in the current sub-grant cycle (January – December 2012). All provisional sub-grantees must provide this information before their awards become effective. The Grant Unit also provided general pre-application technical assistance for potential applicants in the fall of 2011 and explicit post-award training for provisional sub-grantees in January 2012 on all aspects of their requirements and obligations under this pass-through funding. We are currently in full compliance with this finding.

Finding Status: Corrected.

Finding 11-50:

Program: Department of Conservation and Natural Resources, Division of Environmental Protection
Capitalization Grants for Clean Water State Revolving Funds (CWSRF):
Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458
ARRA - Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A
Capitalization Grants for Drinking Water State Revolving Funds (DWSRF):
Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
ARRA - Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

As part of our testing, we reviewed a total of 25 ARRA payments made to subrecipients for the CWSRF and DWSRF programs during the year ended June 30, 2011. For all of the transactions tested, we noted that ARRA funds were not identified as such at the time of disbursement to subrecipients.

State's Response: The Treasurer's Office is coding each transaction (wire transfer) funded with ARRA dollars with all required information.

Finding Status: Corrected.

Finding 11-51:

Program: Department of Conservation and Natural Resources, Division of Environmental Protection
Capitalization Grants for Clean Water State Revolving Funds (CWSRF):
Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458
ARRA - Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A
Capitalization Grants for Drinking Water State Revolving Funds (DWSRF):
Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468

ARRA - Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient at the time of award, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

There were a combined total of twelve awards made to subrecipients for the CWSRF and DWSRF programs during the year ended June 30, 2011. As part of our testing over subrecipient monitoring we examined a sample of three of those awards for communication of required information, and noted that none of the awards tested included the CFDA number.

State's Response: The Division is including the CFDA number on all assistance agreements (contracts).

Finding Status: Corrected.

Finding 11-52:

Program: Department of Conservation and Natural Resources, Division of Environmental Protection
Capitalization Grants for Clean Water State Revolving Funds (CWSRF):
Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458
ARRA - Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458A
Capitalization Grants for Drinking Water State Revolving Funds (DWSRF):
Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468
ARRA - Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468A

Finding Summary: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

During testing of the two Section 1512 ARRA reports required to be submitted for the quarter ended March 31, 2011 for the CWSRF and DWSRF programs, we noted amounts reported as expenditures and as funds invoiced/received could not be reconciled to the accounting records that support the audited financial statements.

State's Response: Procedures are in place to ensure amounts reported as expenditures and receipts on the Section 1512 ARRA reports reconcile to the State accounting system (DAWN) and to Division records.

Finding Status: Corrected.

Finding 11-53:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance:
Unemployment Insurance, CFDA 17.225
ARRA – Unemployment Insurance, CFDA 17.225A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* states that Administrative grant funds may be used only for the purposes and in the amount necessary for proper and efficient administration of the Unemployment Insurance program.

We reviewed 25 disbursements to test compliance with the allowable cost requirements. We noted that one disbursement was for administration costs of a program unrelated to the Unemployment Insurance program.

State's Response: This finding stems from an oversight in coding to the wrong grant. DETR Financial Management staff has been reminded of the importance of coding invoices correctly, and getting clarification if there is any question about how an expense should be paid. Supervisors audit all payments made, so they, too, have been reminded of the importance of reviewing those payments for proper coding before approving them.

The Nevada Department of Employment, Training and Rehabilitation (DETR) Internal Audits staff has confirmed with the DETR Financial Management (FM) staff that this issue and its corresponding corrective actions were discussed during an April 2012 team meeting.

Finding Status: Corrected.

Finding 11-54:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance:
Unemployment Insurance, CFDA 17.225
ARRA – Unemployment Insurance, CFDA 17.225A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* states that Federal Additional Compensation (FAC) is not payable for any claim established with an effective date after June 2, 2010.

During our testing, we reviewed the benefit amounts paid to 40 individuals who received FAC payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that seven claimants received FAC payments, although their claim was established after June 2, 2010.

State's Response: Programming has been completed to ensure only UI claims established prior to June 2, 2010, Emergency Unemployment Compensation (established and new), as well as State Extended Benefit (SEB) claims connected to the UI claim, received

FAC payments. In addition, the programming ensured that any unemployment week beginning after December 10, 2010, would not receive a FAC payment. As a result of the programming changes, the number of FAC payments decreased dramatically, and only weekly claims that met the above criteria, received a FAC payment.

Corrective actions were implemented by the agency immediately following the auditors' detection of improper FAC payments in November 2011. UI Program Analysts determined that the cause of the erroneous FAC payments was an unintended consequence in an effort to correct a prior system's problem. The initial problem involved a system error during the first quarter of 2011, whereas, numerous benefit payments were re-issued. The duplicate payments were identified and overpayments created in the system, however, the portion of the re-issued payments related to FAC was not voided and resulted in issuance of improper FAC payments. These improper FAC payments were identified, and overpayments were created.

System generated FAC payments were discontinued as quickly as possible. As a stop gap measure while discontinuance of the system generated FAC payments was implemented, daily FAC reports were reviewed by staff to determine if the FAC payment issued that day was proper. Although the number of FAC payments each day (if any) was very minimal, if an improper FAC payment was detected, the payment was cancelled in the system prior to release to the claimant. This stoppage of all FAC payments was completed on February 2, 2012; and no additional FAC payments have been issued. The agency has a manual processing criteria established if FAC payments need to be issued in the future. Manual processing includes a special check prepared and mailed to the claimant. A record of this FAC payment will be documented in the claimant's file and accounted for within the Division.

The Nevada Department of Employment, Training and Rehabilitation (DETR) Internal Audits staff has confirmed with the DETR UISS staff that the aforementioned FAC payments have not occurred (verified via system reports) since early February 2012 (and before in some cases) as indicated above.

Finding Status: Requirement no longer applicable to the program per Part 4 of OMB Circular A-133.

Finding 11-55:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance:
Unemployment Insurance, CFDA 17.225
ARRA – Unemployment Insurance, CFDA 17.225A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* states that Federal Additional Compensation (FAC) is not payable for any week of unemployment beginning after December 11, 2010.

During our testing, we reviewed the benefit amounts paid to 40 individuals who received FAC payments during the fiscal year to ensure benefit payments were calculated correctly. We noted that 23 claimants received FAC payments for weeks of unemployment beginning after December 11, 2010.

State's Response: See State's Response for Finding 11-54.

Finding Status: Requirement no longer applicable to the program per Part 4 of OMB Circular A-133.

Finding 11-56:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance:
Unemployment Insurance, CFDA 17.225
ARRA – Unemployment Insurance, CFDA 17.225A

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFSs to the accounting system, we identified instances where expenditures related to grant numbers UI-19601-10-55-A-32, UI-21118-11-55-A-32, and UI-16765-05-55-A-32 were not correctly reported to the Controller's Office.

State's Response: DETR Financial Management has a better reconciliation process occurring prior to the close of the fiscal year in order to ensure that all SARF forms are filed correctly with the State Controller's Office. This includes more detailed backup documentation that ties to the state accounting system, as well as performing an additional step to ensure that the Controller's Office properly keys accurate federal account information into the accounting system. The Controller's Office has been solicited to assist with ensuring all grants are included in the SARFs. While DETR FM staff feel this step is more the responsibility of the Controller's Office, the check will still be done to lessen/eliminate potential problems in the future.

Finding Status: Not corrected.

Finding 11-57:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258
ARRA – WIA Adult Program, CFDA 17.258A
WIA Youth Activities, CFDA 17.259
ARRA – WIA Youth Activities, CFDA 17.259A
WIA Dislocated Workers, CFDA 17.260
ARRA – WIA Dislocated Workers, CFDA 17.260A

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year and to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

In addition, the *OMB Circular A-133 Compliance Supplement* requires that expenditures of American Reinvestment and Recovery Act (ARRA) funds are identified as such on the SEFA.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the various federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the SEFA, we found instances where ARRA funds transferred to and expended by the Nevada Department of Health and Human Services were not included on the SEFA.

State's Response: DETR Financial Management has implemented better communication with other agencies regarding all grant funding transferred out so as to avoid unfiled SARF forms from those other agencies in the future. In this particular finding, ARRA funds were transferred. Since the ARRA grant in question is fully expended, this will not occur again with this funding stream.

DETR Internal Audits staff has confirmed with DETR FM staff that improved communications regarding grant funding is now taking place, especially on SARF forms and the SEFA. DETR FM and Program staff are working together to ensure accurate, timely reporting.

Finding Status: Corrected.

Finding 11-58:

Program: Department of Employment, Training and Rehabilitation

Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258
ARRA – WIA Adult Program, CFDA 17.258A
WIA Youth Activities, CFDA 17.259
ARRA – WIA Youth Activities, CFDA 17.259A
WIA Dislocated Workers, CFDA 17.260
ARRA – WIA Dislocated Workers, CFDA 17.260A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

The Nevada Department of Employment, Training and Rehabilitation is required to submit a performance report, the ETA-9091 WIA Annual Report, for the WIA Cluster awards. The report is comprised of information from the WIA Standardized Record Date (WIASRD). The WIASRD records contain relevant data on participants' characteristics, activities and outcomes, and that data is included in the Tables in the ETA-9091 WIA Annual Report. The OMB Circular A-133 Compliance Supplement identifies WIASRD key line items that contain critical information, including earnings for "quarters prior to dislocation."

Our audit procedures included testing information related to a sample of 40 participant cases to verify the accuracy of the underlying information for the key line items in WIASRD. Our sample included participants who received prior quarter wages from States other than Nevada. For two of those cases, we noted certain wage amounts included in WIASRD, specifically earnings for "quarters prior to dislocation," were duplicated and did not agree to the underlying records.

For participants with prior quarter wages from States other than Nevada, the Nevada Department of Employment, Training and Rehabilitation must obtain the prior quarter wage amounts from the Wage Record interchange System (WRIS) to include in WIASRD. Wages obtained from the WRIS were recorded twice in WIASRD for one calendar quarter.

State's Response: Wherein the audit revealed that WRIS wages in the first quarter of 2010 had exactly double of the WRIS wages verified in the file. Review of all the WRIS wage files used in the reports resulted in a discovery of a process error. The WRIS files received had two files that were duplicated and belonged to the first quarter of 2010.

Workforce Investment Support Services (WISS) received one of the files named as if the wages belonged to the second quarter of 2009. However, WISS' research concluded that it was simply named incorrectly and the second quarter of 2009 was never received or added to the report and the first quarter of 2010 was added twice due to this file name error.

In conclusion, the WRIS wages were doubled for the first quarter of 2010 and no WRIS wages were added for the second quarter of 2009 which resulted in an overall impact to the report of less than one percent because the total of all eight WRIS wage quarters increased the measures only three percent.

Please note that WISS management has put in place a corrective action plan to resolve this issue. The WISS analyst will open all eight of the WRIS files returned and validate the quarters in the file match the name of each of the eight quarters received from the NEVADA WRIS system operator to prevent this issue in the future.

DETR Internal Audits staff has confirmed with DETR WISS staff that corrective procedures have been implemented. All required procedures will be performed to ensure the accuracy of the ETA 9091 WIA Annual Report.

Finding Status: Corrected.

Finding 11-59:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258
ARRA – WIA Adult Program, CFDA 17.258A
WIA Youth Activities, CFDA 17.259
ARRA – WIA Youth Activities, CFDA 17.259A
WIA Dislocated Workers, CFDA 17.260
ARRA – WIA Dislocated Workers, CFDA 17.260A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

During our fiscal year 2010 audit, we identified instances in which the Nevada Department of Employment, Training and Rehabilitation (DETR) did not identify at the time of disbursement of funds the required information as described above. In response to this finding, DETR implemented corrective action, which took effect in March 2011.

There were 26 ARRA disbursements to subrecipients for the period subsequent to March 2011. We selected three of those transactions for testing. During this testing, we identified one disbursement of ARRA funds that was not identified as such at the time of disbursement to the subrecipient.

State's Response: DETR Financial Management currently only has one ARRA grant with two subrecipient agreements in place. Staff has been reminded to ensure payments for subrecipient reimbursements made include the Grant # and the CFDA number written on the memo line, to indicate ARRA funding. This practice has been in place since early 2011; however, there were oversights for several months where this was not done. The practice was resumed in October 2011 and continues today. These reimbursement requests are turned in separately from any other grant request made by these subrecipients. As such, the payments for this grant are labeled according to the requirements for this finding.

DETR Internal Audits staff has re-confirmed with DETR FM staff that the process for including the appropriate identifying information related to federal grants, etc. on agreements, payments, remittance advices (whenever needed to identify the federal funding sources, etc.) is not in place.

Finding Status: Requirement no longer pertained to the program as ARRA funds were exhausted prior to July 1, 2011.

Finding 11-60:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA - Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that Vocational Rehabilitation (VR) program income must be used for the provision of VR services and the administration of the State Plan under the State Vocational Rehabilitation Services Program. Additionally, *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees work on multiple activities or cost objectives, a distribution of their work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports prepared at least monthly and signed by the employee.

Our audit procedure included testing of salary and benefit costs charged to the VR program. We examined support for 40 salary charges, including three that were paid for with VR program income. Of those three we noted one instance where three hours of leave time was charged to the VR program for an employee who does not normally work directly on VR activity, and the timesheet did not identify that the employee had worked directly on VR program activity. The Nevada Department of Employment, Training and Rehabilitation personnel represented that any leave time not coded to a specific job (program) number would default to the job number paid for with VR program income.

State's Response: DETR is in the process of verifying the default coding for all employees to more closely match the coding on their timesheets; however, this finding will continue to be an issue for DETR until it can be solved with Nevada's Central Payroll office and the Nevada Department of Transportation (NDOT). NDOT is the only other agency that uses the same electronic timesheet format as DETR. When a change is made, both agencies have to be able to accommodate the change. In order to fully correct this situation, the most appropriate course is to code leave time according to how the rest of the timesheet is coded; however, the current timesheet structure does not allow for this. Automatic defaults that are set up on the background determine how leave time is coded. As such, until this situation can be fully resolved between Central Payroll, NDOT and DETR, DETR will only be able to verify that the default for leave coding is as appropriate as possible based on current job duties and time coding against funding streams.

DETR has finalized arrangements with Nevada's Central Payroll to incorporate the changes DETR requested above (related to coding of leave time) and as a result, the situation will be fully resolved in October 2012 once the changes in the electronic timesheet formatting takes place. This change, in essence, eliminates the need to perform any further work involving the default coding situations, as any potential problems will be fully resolved/eliminated.

Finding Status: Not corrected.

Finding 11-61:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA - Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

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 trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

As part of our testing over eligibility, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 40 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, without either an extension being filed or a trial work program being implemented.

State's Response: The Rehabilitation Division does not dispute the finding that eligibility for the consumer in case number 60796 was determined outside the established sixty day time frame. The consumer in this case, who was homeless at the time, applied for services on December 21, 2010 and releases for medical records were sent on December 23, 2010, February 18, 2011, March 4, 2011 and May 2, 2011. The counselor completed the Certificate of Eligibility on May 6, 2011. The case was closed in August 2011 for lack of contact with the consumer. The Division prepares a monthly aging report showing the elapsed time between intake and the eligibility determination. Supervisors and counselors receive and review the report and can take action to make the eligibility determination, secure and extension if the case merits one for legitimate reasons or, if not, close the case for lack of sufficient documentation to determine eligibility. The fact that the lapse was not caught in time to prevent the noncompliance appears to have been caused by staff turnover that resulted in two counselors handling the case and the retirement of the supervisor at around this time. The importance of timely eligibility determinations is stressed to counselors and supervisors at staff meetings and trainings as not only a legal requirement, but an important component of professional practice as well as the level of customer service to which VR clients are entitled. Section 10 of the Participant Services Policy and Procedure Manual addresses the requirement for eligibility determination within sixty days from the date of application.

To expand on the above response, the Nevada DETR Vocational Rehabilitation (VR) Division notes that the specific case involved a participant who applied for services and signed releases for medical records. The agency did not receive the records from the medical providers in a timely manner and follow up efforts were unsuccessful. At the same time, the original VR counselor went out on approved leave and this case was then being overseen by a backup VR counselor. Requests were made to the participant by phone and letter to come into the office and sign a new release of information for another medical provider; however, the agency had difficulty contacting the participant. In addition, the participant also missed scheduled appointments. Fearing that perhaps the participant was homeless, this case was kept open past the 60 days with the intention of trying to reach this participant to provide service. However, staff could not establish contact within this time frame.

The Rehabilitation Division has instituted or is in the process of instituting the following to address this deficiency:

1. The Rehabilitation Division recently completed updating and revising sections of our Participant Services Policy and Procedures manual. (This version will be released shortly). The section which addresses eligibility determination has been revised and is much more detailed and thorough. This improved tool should be of assistance for staff.
2. District managers discussed with staff this audit exception and reviewed the new policy and procedure as related to the required timeframes for making eligibility determinations.
3. The Rehab. Division recently introduced a new e-rehab training program. This self-paced computer based learning tool addresses numerous topics in VR and is available on demand for new and more experienced counselors as a reference resource. All new VR counselors will complete the eligibility training module on e-rehab, including the required quiz following the training which verifies their understanding of the process. Supervisors will review this with the counselors.

4. Counselors will be reminded to utilize the "Activity Due" feature that is available in RAISON to remind them of the timeframe associated with determining eligibility.
5. Supervisor will be reminded to utilize the aging reports in RAISON which will allow them to track when a new case is reaching the 60 day timeframe for eligibility determination.
6. The district managers and rehabilitation supervisors will encourage and work with rehabilitation technicians to establish/maintain a tickler system at intake to track the 60 days for team counselors.

Finding Status: Corrected.

Finding 11-62:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA - Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with program requirements, include all activity of the reporting period, and data elements are supported by underlying records.

The Nevada Department of Employment, Training and Rehabilitation is required to submit quarterly SF-269 and SF-425 Federal Financial Reports for the Vocational Rehabilitation Cluster awards. We noted that there were twelve quarterly reports submitted during the year and we selected two for testing.

During testing of the SF-269 report for award H390A090041, submitted for the quarter ended March 31, 2011, it was noted that documentation to support the amounts reported for *Unliquidated Obligation* had not been retained, and amounts reported could not be reconciled to the accounting system during our audit procedures.

Additionally, during testing of the SF-425 report for award H126A110041 submitted for the quarter ended March 31, 2011, it was noted that documentation to support the amounts reported for both *Unliquidated Obligation* and the *Recipient's Share of Federal Expenditure* had not been retained, and amounts reported could not be reconciled to the accounting system during our audit procedures.

State's Response: DETR Financial Management has already begun retaining the documentation for the federal reports in question beginning with the reports for the quarter ending September 30th, 2011. This procedure will remain in effect going forward.

The need to have documentation supporting all amounts reported in the federal reports continues to be a requirement and staff have been reminded of this. In this instance, DETR FM executive staff does not foresee creating a specific procedure related to retaining documentation regarding unliquidated obligations, as it is expected that all information within our files (especially for worksheets and reports) should have sufficient documentation. In addition, while no formal procedure has been created, there has also been a concerted effort by DETR's Financial Management (FM) Section to improve all communications with both internal and external entities.

Finding Status: Corrected.

Finding 11-63:

Program: Department of Health and Human Services, Division of Health Care Financing and Policy

Medicaid Cluster:

ARRA – Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative, CFDA 93.720A

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

ARRA – Medical Assistance Program, CFDA 93.778A

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Additionally, the *OMB Circular A-133 Compliance Supplement* requires that American Recovery and Reinvestment Act (ARRA) funds be separately identified on the SEFA and in the accounting records.

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During reconciliation of Medicaid award expenditures to the SEFA, we noted that ARRA expenditures for award 05-1005NVMDSH were separately identified as such on the SEFA; however, the expenditures related to that award were also included as expenditures under a non-ARRA award. We also noted that the amounts reported for award 05-1005NVQUAL and 05-1105NVQUAL were reported twice. This caused the Medicaid Cluster expenditures to be overstated.

State's Response: DHCFP has developed a Single Audit Report Form transmittal approved by the State Controller's Office that will be filed with the SARF's to prevent duplicate reporting. The SARF transmittal form will be verified and signed by a DHCFP

Administrative Services Officer and the DHCFP Administrator. This transmittal will be used for the 2012 and future reporting.

Finding Status: Corrected.

Finding 11-64:

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

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, a management decision is issued on each audit finding within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. A management decision is the evaluation of an audit finding and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

As part of our audit procedures, we tested two of ten subrecipients to verify that the Nevada Division of Welfare and Supportive Services ensured that required audits were completed, issued management decisions on audit findings and ensured corrective actions were taken on audit findings. We noted that the audit report for one of subrecipients tested included audit findings related to the Child Support Enforcement Program; however, the Nevada Division of Welfare and Supportive Services did not issue management decisions for the findings or monitor the corrective action plan.

State's Response: Procedures and dual monitoring processes were developed and put in place to track single audit reports, responses, corrective action plans and management decision letters to ensure compliance with OMB A-133. Upon receiving a county's single audit report, the date received and all relevant information will be tracked in a spreadsheet by the internal auditor. Any findings and corrective action plans will be forwarded to Child Support Enforcement staff (CSEP) to evaluate and ensure proper corrective steps have been taken. Staff will be given deadlines for issuing written management decision letters and will be monitored for timeliness. A copy of all management decisions must be forwarded to the internal auditor for tracking purposes. Staff non-compliance will result in notification to the DWSS Administrator or relative Deputy Administrator to be addressed.

Finding Status: Corrected.

Sincerely,

Kim Walli

Kim R. Wallin, CMA, CFM, CPA
Nevada State Controller

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