

STATE OF NEVADA

**Single Audit Report
For the Year Ended
June 30, 2013**

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- the financial statements of the Housing Division, which is both a major fund and 51.50 percent of the assets, 94.86 percent of net position, and 2.82 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 and represent more than 99 percent of assets, net position, and revenues of the discretely presented component units;
- 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 3.30 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 71.00 percent of the assets, 69.36 percent of the net position and 45.17 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 23.34 percent of the assets, 27.01 percent of the net position and 37.39 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 position 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 statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the above-mentioned funds and entities, are based solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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 72 through 76 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 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* in considering the State's internal control over financial reporting an compliance.

Kafoury, Armstrong & Co.

Reno, Nevada
December 16, 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, 2013. We encourage readers to consider this information in conjunction with the additional information furnished in the letter of transmittal.

HIGHLIGHTS

Government-wide:

Net Position – The assets of the State exceeded liabilities at the close of the fiscal year ended June 30, 2013 by \$5.3 billion (reported as *net position*). Of the \$5.3 billion in net position, \$1.3 billion was restricted and not available to meet the State's general obligations. Also unavailable to meet the State's general obligations is \$4.4 billion net investment in capital assets.

Changes in Net Position – The State's total net position increased by \$650.1 million in fiscal year 2013. The net position of governmental activities increased by \$437.4 million and net position of the business-type activities increased by \$212.7 million.

Fund-level:

At the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.5 billion, an increase of \$171.5 million from the prior year. Of the ending fund balance, \$637.2 million is not in spendable form, primarily municipal securities and permanent fund principal, and \$908.2 million is available for spending. The \$908.2 million that is spendable consists of: \$383.8 million restricted to expenditures for specific purposes such as transportation, capital projects and foreclosure relief programs; \$591.1 million committed to expenditures for specific purposes such as servicing bonds payable, health and education development, contingencies and fiscal emergencies; and a negative \$66.7 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 position of \$203.3 million, an increase of \$212.7 million from the prior year, attributable primarily to increases in net position of \$179.3 million in the Unemployment Compensation Fund, \$18.5 million in the Water Projects Loans Fund, \$13.1 million in the Higher Education Tuition Trust Fund, \$2.6 million in the non-major enterprise funds and a decrease in net position of \$0.8 million in the Housing Division. Of the combined ending net position, \$360.5 million represents a deficit in net position-unrestricted of which \$373.4 million is from the Unemployment Compensation Fund.

The State's fiduciary funds reported combined ending net position of \$41.3 billion, an increase of \$5.0 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 \$233.6 million or 6.6% from \$3.5 billion in fiscal year 2012 to \$3.3 billion in fiscal year 2013.

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 position* presents *all* of the State's assets and liabilities, with the difference between the two reported as "net position." 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 position measure whether the State's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the State's net position 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 position 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 earned and 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 – Discrete component units are legally separate organizations for which their relationship with the primary government meets selected criteria. The State has three discretely presented component units – the Nevada System of Higher Education, the Colorado River Commission and the Nevada Capital Investment Corporation. 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, 2013 and 2012 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 Position-Primary Government <i>(expressed in thousands)</i>							
	Governmental Activities		Business-type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2013-2012
Assets							
Current and other assets	\$ 3,406,393	\$ 3,427,097	\$ 1,846,659	\$ 1,886,060	\$ 5,253,052	\$ 5,313,157	\$ (60,105)
Net capital assets	5,816,201	5,650,527	12,471	10,721	5,828,672	5,661,248	167,424
Total assets	9,222,594	9,077,624	1,859,130	1,896,781	11,081,724	10,974,405	107,319
Liabilities							
Current liabilities	1,445,839	1,588,782	69,073	101,252	1,514,912	1,690,034	(175,122)
Long-term liabilities	2,680,905	2,830,423	1,586,713	1,798,728	4,267,618	4,629,151	(361,533)
Total liabilities	4,126,744	4,419,205	1,655,786	1,899,980	5,782,530	6,319,185	(536,655)
Net Position							
Net investment in capital assets	4,357,735	4,017,147	3,422	3,076	4,361,157	4,020,223	340,934
Restricted	741,250	700,341	560,410	538,143	1,301,660	1,238,484	63,176
Unrestricted (deficit)	(3,135)	(59,069)	(360,488)	(544,418)	(363,623)	(603,487)	239,864
Total net position	\$ 5,095,850	\$ 4,658,419	\$ 203,344	\$ (3,199)	\$ 5,299,194	\$ 4,655,220	\$ 643,974

Net Position:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) increased to \$5.3 billion at the end of 2013, compared with \$4.6 billion at the end of the previous year.

The largest portion of the State's net position (\$4.4 billion or 82.3%) 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 position (\$1.3 billion or 24.6%) 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 position deficit of \$364.0 million or (6.9%), as compared to a \$603.5 million deficit in the prior year.

The unrestricted net position increased in both governmental activities and business-type activities. The unrestricted net position in the governmental activities increased by \$55.9 million, from a deficit of \$59.0 million to a deficit of \$3.1 million. In business-type activities the unrestricted net position increased by \$183.9, from a deficit of \$544.4 million to a deficit of \$360.5 million. The increase in the governmental activities was a result of several factors, including a decrease in the General Fund deferred revenue unavailable, recognized as revenue in the government-wide statement of net position, in the amount of \$80.5 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 \$102.4 million and \$25.4 million, respectively; and an increase due to Cleaning Up Petroleum Discharges and Tourism Promotion fund balances of \$7.3 million and \$4.3 million no longer being restricted. Included in the \$80.5 million decrease in deferred revenue unavailable is \$19.3 million from rebates for health and social services, and \$9.4 million from taxes. In the business-type activities, the increase is primarily due to an increase in the net position of the Unemployment Compensation Fund in the amount of \$179.3 million.

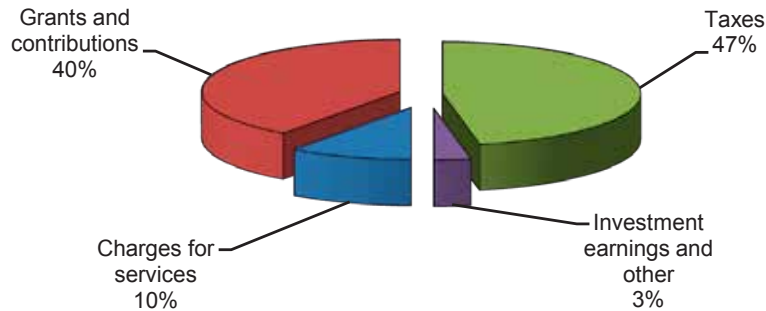
	Governmental Activities		Business-type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2013-2012
Revenues							
Program revenues							
Charges for services	\$ 787,665	\$ 794,555	\$ 97,088	\$ 93,924	\$ 884,753	\$ 888,479	\$ (3,726)
Operating grants and contributions	3,116,377	3,091,556	523,895	862,548	3,640,272	3,954,104	(313,832)
Capital grants and contributions	56,003	73,749	-	-	56,003	73,749	(17,746)
General revenues							
Sales and use taxes	1,027,124	967,373	-	-	1,027,124	967,373	59,751
Gaming taxes	901,085	884,928	-	-	901,085	884,928	16,157
Modified business taxes	386,928	373,156	-	-	386,928	373,156	13,772
Insurance premium taxes	252,195	238,083	-	-	252,195	238,083	14,112
Property and transfer taxes	215,211	215,649	-	-	215,211	215,649	(438)
Motor and special fuel taxes	269,232	267,181	-	-	269,232	267,181	2,051
Other taxes	685,650	655,265	566,137	515,402	1,251,787	1,170,667	81,120
Investment earnings	2,892	(11,543)	-	-	2,892	(11,543)	14,435
Other	229,733	341,597	-	-	229,733	341,597	(111,864)
Total Revenues	7,930,095	7,891,549	1,187,120	1,471,874	9,117,215	9,363,423	(246,208)
Expenses							
General government	229,136	240,417	-	-	229,136	240,417	(11,281)
Health and social services	3,464,334	3,250,926	-	-	3,464,334	3,250,926	213,408
Education and support services	2,290,844	2,280,899	-	-	2,290,844	2,280,899	9,945
Law, justice and public safety	657,728	646,701	-	-	657,728	646,701	11,027
Regulation of business	85,688	101,687	-	-	85,688	101,687	(15,999)
Transportation	505,354	801,797	-	-	505,354	801,797	(296,443)
Recreation and resource development	134,578	138,599	-	-	134,578	138,599	(4,021)
Interest on long-term debt	106,126	122,080	-	-	106,126	122,080	(15,954)
Unallocated depreciation	2,023	1,755	-	-	2,023	1,755	268
Unemployment insurance	-	-	867,600	1,286,839	867,600	1,286,839	(419,239)
Housing	-	-	34,247	50,979	34,247	50,979	(16,732)
Water loans	-	-	8,942	8,249	8,942	8,249	693
Workers' compensation and safety	-	-	28,685	27,706	28,685	27,706	979
Higher education tuition	-	-	25,081	26,067	25,081	26,067	(986)
Other	-	-	32,107	26,187	32,107	26,187	5,920
Total Expenses	7,475,811	7,584,861	996,662	1,426,027	8,472,473	9,010,888	(538,415)
Excess (deficiency) in net position before contributions to permanent funds and transfers	454,284	306,688	190,458	45,847	644,742	352,535	292,207
Contributions to permanent fund	5,376	6,705	-	-	5,376	6,705	(1,329)
Transfers	(22,229)	(3,009)	22,229	3,009	-	-	-
Change in net position	437,431	310,384	212,687	48,856	650,118	359,240	290,878
Net position - beginning of year (as restated)	4,658,419	4,348,035	(9,343)	(52,055)	4,649,076	4,295,980	353,096
Net position - end of year	\$ 5,095,850	\$ 4,658,419	\$ 203,344	\$ (3,199)	\$ 5,299,194	\$ 4,655,220	\$ 643,974

Changes in Net Position:

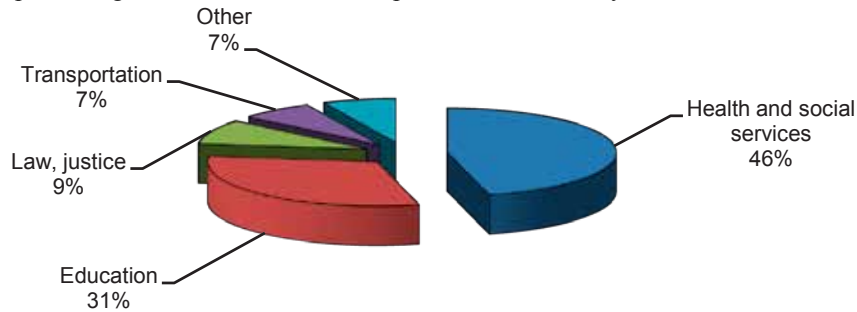
Total government-wide revenues decreased by \$246.2 million over the prior year, due primarily to a reduction in the State's federal funds. The federal funds received by the Unemployment Compensation Fund through the American Recovery and Reinvestment Act decreased to \$390.0 million in 2013, down from \$734.8 billion in 2012.

Governmental activities – The net position increased by \$437.4 million or 9.4%. Approximately 47.0% 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 46.0% for health and social services and 31.0% for education (see chart below). In 2013, governmental activities expenses exceeded program revenues, resulting in the use of \$3.5 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:

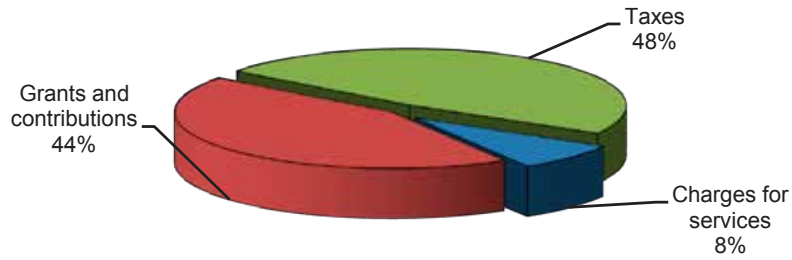


The following table depicts the total program revenues and expenses for each function of governmental activities:

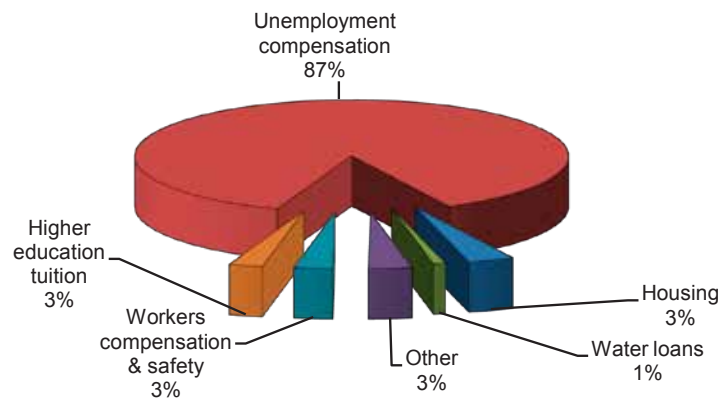
	Expenses	Revenue
General government	\$ 229,136	\$ 203,119
Health and social services	3,464,334	2,435,228
Education	2,290,844	414,835
Law, justice	657,728	371,124
Regulation	85,688	69,582
Transportation	505,354	382,088
Recreation	134,578	82,743
Total	\$ 7,367,662	\$ 3,958,719

Business-type activities – The net position increased by \$212.7 million. Approximately 48.0% of the total revenue came from taxes, while 44.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 8.0% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were 87.0% for unemployment compensation (see chart below). In 2013, business-type activities expenses exceeded program revenues by \$375.7 million. Of this amount, unemployment compensation was the largest, with net expenses of \$416.3 million, resulting in the use of \$565.9 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:

	Expenses	Revenue
Unemployment compensation	\$ 867,600	\$ 451,338
Housing	34,247	33,432
Water loans	8,942	28,601
Workers compensation	28,685	36,692
Higher education tuition	25,081	36,240
Other	32,107	34,680
Total	\$ 996,662	\$ 620,983

The State government’s overall financial position improved over the past fiscal year, with a \$437.4 million increase in the net position of the governmental activities and a \$212.7 million increase in the net position of the business-type activities. Net position of the governmental activities increased 9.4% during 2013, while 2012 increased 7.1%. The beginning net position of the business-type activities was restated during the current fiscal year. The total restated net position of negative \$9.3 million included \$6.1 million from a component unit no longer meeting the reporting requirements. This restated net position of negative \$9.3 million combined with the current year increase of \$212.7 million in net position resulted in an ending net position of \$203.3 million. 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 \$135.8 million or 3.8%, compared to an increase of \$45.9 million or 1.3% in the prior fiscal year. In addition, intergovernmental revenues increased \$145.0 million primarily due to Medicaid receipts which include funding for the new Silver State Health Insurance Exchange. In the Highway Fund, revenues increased \$12.3 million in interlocal projects, \$3.1 million in registration fees and \$2.9 million in gas tax.

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 \$1.5 billion, a increase of \$171.5 million in comparison with the prior year. Of these total ending fund balances, \$637.2 million (41.2%) is nonspendable, either due to its form or legal constraints, and \$383.8 million (24.8%) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$591.1 million (38.3%) 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 \$112.8 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 \$28.1 million in the current fiscal year and \$45.5 million in the prior fiscal year. The remaining negative \$66.7 million (4.3%) 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 \$371.0 million compared to \$270.3 million in the prior fiscal year. The fund balance increase from operations of \$100.7 million during the current fiscal year is a 37.2% increase from the prior year. Reasons for this increase are discussed in further detail below. The negative unassigned fund balance of \$66.7 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, 2013 and 2012 (expressed in thousands). Other financing sources are not included.

General Fund Revenues (expressed in thousands)						
	2013		2012		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 882,575	13.6%	\$ 870,007	14.0%	\$ 12,568	1.4%
Sales taxes	1,024,624	15.8%	965,060	15.5%	59,564	6.2%
Modified business taxes	386,610	6.0%	369,661	5.9%	16,949	4.6%
Insurance premium taxes	248,512	3.8%	236,787	3.8%	11,725	5.0%
Property and transfer taxes	57,325	0.9%	48,683	0.8%	8,642	17.8%
Motor and special fuel taxes	2,693	0.0%	2,825	0.0%	(132)	-4.7%
Other taxes	604,968	9.3%	598,210	9.6%	6,758	1.1%
Intergovernmental	2,823,208	43.5%	2,678,186	43.0%	145,022	5.4%
Licenses, fees and permits	279,736	4.3%	278,356	4.5%	1,380	0.5%
Sales and charges for services	57,267	0.9%	55,719	0.9%	1,548	2.8%
Interest and investment income	9,620	0.2%	6,006	0.0%	3,614	60.2%
Other revenues	107,361	1.7%	125,418	2.0%	(18,057)	-14.4%
Total revenues	\$ 6,484,499	100.0%	\$ 6,234,918	100.0%	\$ 249,581	4.0%

The total General Fund revenues increased 4.0%. The largest increases in revenue sources were \$145.0 million or 5.4% in intergovernmental revenues, \$59.6 million or 6.2% in sales taxes, \$16.9 million or 4.6% in modified business taxes and \$12.6 million or 1.4% in gaming taxes, fees and licenses. Intergovernmental revenues increased by \$154.0 million in receipts for Medicaid which includes funding for the new Silver State Health Insurance Exchange offset by a decrease of \$9.0 million in other programs. The largest decline in revenue sources was \$18.1 million or 14.4% in other revenues which includes a \$29.6 million or 30.2% decrease in unclaimed property collections.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2013 and 2012 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures (expressed in thousands)

	2013		2012		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 142,506	2.2%	\$ 134,260	2.2%	\$ 8,246	6.1%
Health and social services	3,154,196	49.3%	2,991,985	48.0%	162,211	5.4%
Education and support services	52,475	0.8%	53,430	0.9%	(955)	-1.8%
Law, justice and public safety	420,597	6.6%	424,439	6.8%	(3,842)	-0.9%
Regulation of business	62,351	1.0%	73,408	1.2%	(11,057)	-15.1%
Recreation, resource development	96,833	1.5%	100,956	1.6%	(4,123)	-4.1%
Intergovernmental	2,469,662	38.6%	2,449,931	39.3%	19,731	0.8%
Debt service	3,270	0.0%	3,190	0.0%	80	2.5%
Total expenditures	<u>\$ 6,401,890</u>	<u>100.0%</u>	<u>\$ 6,231,599</u>	<u>100.0%</u>	<u>\$ 170,291</u>	<u>2.7%</u>

The total General Fund expenditures increased 2.7%. Health and social services expenditures increased \$162.2 million or 5.4%. The largest portion of this amount was for the Medicaid program. The net increase in remaining expenditures was \$8.1 million with the largest increase of \$19.7 million occurring in intergovernmental expenditures and the largest decrease of \$11.0 million in regulation of business.

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 \$5.1 million during the current fiscal year, a 3.3% decrease, as compared to a 46.5% decrease in the prior year. The decrease is primarily due to decrease in federal aid and county bond revenue and as well as intergovernmental payments. The nonspendable fund balance is \$14.0 million, the restricted fund balance is \$111.7 million and the committed fund balance is \$23.3 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 \$15.3 million during the current fiscal year, which is a 5.4% 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 decreased by \$20.9 million during the current fiscal year, a 14.2% decrease from the prior year, due primarily to a decrease in intergovernmental receipts as a result of bond refunding.

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 \$5.5 million during the current fiscal year, which is a 1.8% increase from the prior year. This increase is primarily due to \$4.5 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 four major enterprise funds: Housing Division Fund, Unemployment Compensation Fund, Water Projects Loans Fund and the Higher Education Tuition Trust Fund. The combined net position of the four major funds is \$159.6 million, the net position of the nonmajor funds is \$43.7 million and total combined net position of all enterprise funds is \$203.3 million. The combined net position of the enterprise funds increased by \$212.7 million in 2013. 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 beginning net position was restated to \$193.7 million as compared to the ending net position \$199.8 from the prior year. The decrease of \$6.1 million was due to the Nevada Affordable Housing Assistance Corporation no longer meeting the requirements to be reported as a discretely presented component unit. The current change in net position was a decrease of \$0.8 million resulting in the ending net position of \$192.9.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net position increased by \$179.3 million during the current fiscal year, which is a 32.4% increase from the prior year. Operating revenue exceeded expenses by \$167.9 million for fiscal year 2013. Fiscal year 2013 total claims expense of \$0.8 billion was less than the fiscal year 2012 total claims expense of \$1.3 billion, or a 32.6% decrease. The leading causes for the net position increase is due to an increase in assessments caused by an increase in employment and employer tax rates and a reduction in unemployment claims and interest expense on federal loan advances. During the fiscal year 2014, the State issued \$548.9 million in Special Revenue Bonds for the purpose of repaying advances made by the federal government and for supporting the Fund. The General Fund paid \$23.9 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, 2013, 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 \$574.0 million and \$13.2 million, respectively. Total federal advances decreased \$146.4 million from \$720.4 million in 2012.

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. The revenues exceeded expenses and transfers by \$18.5 million during the current fiscal year, for a final net position of \$324.6 million, which is a 6.0% increase from the prior year.

The Higher Education Tuition Trust Fund provides a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college. The Trust Fund completed its fifteenth enrollment period during the fiscal year with 1,145 new enrollments. The net position increased \$13.1 million or 551.1% during the current fiscal year. This increase is mainly due to \$5.9 million in new contracts and \$7.2 million increase in investment income.

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 2013, total internal service fund net position increased by \$3.6 million, for a final net position of \$59.9 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 position increased by \$12.0 million during the current fiscal year, which is a 14.4% increase from the prior year, leaving final net position of \$95.3 million. This year's increase was caused primarily by a 4.3% increase in insurance premium income.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The net position deficit increased by \$7.8 million or 16.2% during fiscal year 2013, to a total deficit of \$56.1 million. The decrease in net premium income of 7.6% 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 \$462.1 million or 5.8% 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 \$513.7 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 \$500.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2013, amount to \$6.9 billion, net of accumulated depreciation of \$1.1 billion, leaving a net book value of \$5.8 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:

<u>Condition Level of the Roadways</u>					
Percentage of roadways with an IRI of less than 80					
	Category				
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>
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%
<u>Condition Level of the Bridges</u>					
Percentage of substandard bridges					
	<u>2011</u>	<u>2009</u>	<u>2007</u>		
State Policy-maximum percentage	10%	10%	10%		
Actual results condition assessment	4%	5%	4%		

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2013 by \$77.3 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 2013 (expressed in millions):

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	<u>Expended by June 30, 2013</u>	<u>Total Budget</u>
Unemployment Insurance Software Development	\$ 25.2	\$ 40.4
New Readiness Center North Las Vegas	27.1	35.8
SDCC Housing Unit & Planning	27.3	28.9
Las Vegas Readiness Center - Field Maintenance Shop	21.5	26.9
Healthcare Reform Software	17.4	17.5
Elko County Readiness Center	15.8	16.6
Southern Nevada Veterans' Cemetery Expansion	7.6	11.4
NDOT Integrated Right of Way Software	8.1	9.3
SDCC Finish Core Expansion	4.5	5.0

The total increase in the State's capital assets for the primary government for the current fiscal year was \$295.8 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$69.0 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 \$4.3 billion in long-term liabilities outstanding, compared to \$4.6 billion last year, a decrease of \$361.5 million or 7.8% 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 2013 fiscal year were (expressed in thousands):

General Obligation Hoover Uprating Refunding Bonds	7/10/2012E	\$ 17,085
General Obligation Municipal Bond Bank Projects	2/20/2013A	23,505
General Obligation Water Pollution Control Revolving Fund Leveraged Refunding Bonds	2/20/2013B	17,045
General Obligation Water Pollution Control Revolving Fund Matching Bonds	2/20/2013C	3,000
General Obligation Capital Improvement and Cultural Affairs Refunding Bonds	4/09/2013D-1	98,015
General Obligation Capital Improvement and Cultural Affairs Refunding Bonds	4/09/2013E	64,980
General Obligation Natural Resources Refunding Bonds	4/09/2013F-1	13,210
General Obligation Open Space, and Cultural Resources Refunding Bonds	4/09/2013G	3,665
General Obligation Open Space, Parks, and Natural Resources Refunding Bonds	4/09/2013H-1	19,650
Highway Revenue Refunding Bonds	4/30/2013	131,245

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 Position



NEVADA

June 30, 2013 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 1,512,950	\$ 152,420	\$ 1,665,370	\$ 233,159
Investments	457,794	742,583	1,200,377	1,096,929
Internal balances	(6,822)	6,822	-	-
Due from component unit	2,426	-	2,426	-
Due from primary government	-	-	-	21,060
Accounts receivable	70,809	2,070	72,879	41,754
Taxes/assessments receivable	887,017	201,719	1,088,736	-
Intergovernmental receivables	392,131	1,746	393,877	40,243
Accrued interest and dividends	4,074	12,426	16,500	21
Contracts receivable	-	32,193	32,193	-
Mortgages receivable	-	527,706	527,706	-
Notes/loans receivable	14,257	41,225	55,482	13,218
Other receivables	16	-	16	51,454
Inventory	27,431	1,461	28,892	6,515
Prepaid items	2,285	25	2,310	20,021
Deferred charges	42,025	4,959	46,984	-
Restricted assets:				
Cash	-	-	-	30,305
Investments	-	119,289	119,289	39,241
Other assets	-	15	15	49,334
Capital assets:				
Land, infrastructure and construction in progress	4,527,271	10,690	4,537,961	130,137
Other capital assets, net	1,288,930	1,781	1,290,711	1,848,008
Total assets	9,222,594	1,859,130	11,081,724	3,621,399
Liabilities				
Accounts payable	860,651	35,358	896,009	45,960
Accrued payroll and related liabilities	63,915	1,179	65,094	68,807
Intergovernmental payables	117,376	132	117,508	-
Interest payable	17,869	19,944	37,813	9,271
Due to component units	20,989	33	21,022	-
Due to primary government	-	-	-	140
Contracts/retentions payable	17,871	-	17,871	-
Unearned revenues	258,972	12,415	271,387	48,875
Other liabilities	88,196	12	88,208	40,472

Long-term liabilities:				
<i>Portion due or payable within one year:</i>				
Reserve for losses	61,567	-	61,567	-
Obligations under capital leases	1,713	-	1,713	963
Compensated absences	59,566	1,190	60,756	30,802
Benefits payable	-	14,452	14,452	-
Bonds payable	179,403	53,925	233,328	29,924
Certificates of participation payable	2,070	-	2,070	-
Arbitrage rebate liability	1,043	-	1,043	-
<i>Portion due or payable after one year:</i>				
Federal advances	-	573,957	573,957	8,194
Reserve for losses	49,964	-	49,964	-
Obligations under capital leases	23,383	-	23,383	2,423
Compensated absences	35,154	708	35,862	16,274
Benefits payable	-	159,947	159,947	-
Bonds payable	2,216,735	782,534	2,999,269	515,811
Certificates of participation payable	50,269	-	50,269	-
Due to primary government	-	-	-	2,286
Due to component unit	38	-	38	-
Total liabilities	4,126,744	1,655,786	5,782,530	820,202

Net Position				
Net investment in capital assets	4,357,735	3,422	4,361,157	1,475,656
Restricted for:				
Security of outstanding obligations	-	189,405	189,405	-
Workers' compensation	-	31,038	31,038	-
Tuition contract benefits	-	15,331	15,331	-
Capital projects	4,557	-	4,557	43,579
Debt service	34,854	-	34,854	19,870
Education and support services	2,277	-	2,277	-
Transportation	108,940	-	108,940	-
Recreation and resource development	60,700	324,634	385,334	-
Law, justice and public safety	94,796	-	94,796	-
Health and social services	105,881	-	105,881	-
Regulation of business	10,322	2	10,324	-
Scholarships	-	-	-	333,997
Loans	-	-	-	8,210
Operations and maintenance	-	-	-	711
Research and development	-	-	-	5,204
Other purposes	114	-	114	1,093
Funds held as permanent investments:				
Nonexpendable	318,789	-	318,789	330,838
Expendable	20	-	20	-
Unrestricted (deficit)	(3,135)	(360,488)	(363,623)	582,039
Total net position	\$ 5,095,850	\$ 203,344	\$ 5,299,194	\$ 2,801,197

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

Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2013 (Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 229,136	\$ 180,169	\$ 22,950	\$ -	\$ (26,017)	\$ -	\$ (26,017)	\$ -
Health and social services	3,484,334	212,310	2,222,918	-	(1,029,106)	-	(1,029,106)	-
Education and support services	2,290,844	3,624	411,211	-	(1,876,009)	-	(1,876,009)	-
Law, justice and public safety	657,728	267,060	63,317	40,747	(286,604)	-	(286,604)	-
Regulation of business	85,688	62,330	7,252	-	(16,106)	-	(16,106)	-
Transportation	505,354	17,767	349,200	15,121	(123,266)	-	(123,266)	-
Recreation and resource development	134,578	44,405	38,203	135	(51,835)	-	(51,835)	-
Interest on long-term debt	106,126	-	1,326	-	(104,800)	-	(104,800)	-
Unallocated depreciation	2,023	-	-	-	(2,023)	-	(2,023)	-
Total governmental activities	7,475,811	787,665	3,116,377	56,003	(3,515,766)	-	(3,515,766)	-
Business-type activities:								
Unemployment insurance	867,600	1,556	449,782	-	-	(416,262)	(416,262)	-
Housing	34,247	19,840	13,592	-	-	(815)	(815)	-
Water loans	8,942	8,873	19,728	-	-	19,659	19,659	-
Workers' compensation and safety	28,685	34,322	2,370	-	-	8,007	8,007	-
Higher education tuition	25,081	139	36,101	-	-	11,159	11,159	-
Other	32,107	32,358	2,322	-	-	2,573	2,573	-
Total business-type activities	996,662	97,088	523,895	-	-	(375,679)	(375,679)	-
Total primary government	\$ 8,472,473	\$ 884,753	\$ 3,640,272	\$ 56,003	(3,515,766)	(375,679)	(3,891,445)	-
Total component units	\$ 1,612,073	\$ 702,964	\$ 412,328	\$ 1,486	-	-	-	(495,295)

General revenues:					
Taxes:					
Gaming	869,644	-	-	869,644	-
Sales and use	925,699	-	-	925,699	-
Modified business	386,928	-	-	386,928	-
Insurance premium	252,195	-	-	252,195	-
Property and transfer	57,325	-	-	57,325	-
Motor and special fuel	2,693	-	-	2,693	-
Other	430,121	212	-	430,333	-
Restricted for unemployment compensation:					
Other taxes	-	565,925	-	565,925	-
Restricted for educational purposes:					
Sales and use taxes	101,425	-	-	101,425	-
Gaming taxes	31,441	-	-	31,441	-
Other taxes	128,725	-	-	128,725	-
Restricted for debt service purposes:					
Property and transfer taxes	138,178	-	-	138,178	-
Motor and special fuel taxes	79,788	-	-	79,788	-
Other	16,900	-	-	16,900	-
Restricted for recreation and resource development purposes:					
Other taxes	31,604	-	-	31,604	-
Restricted for health and social services purposes:					
Property and transfer taxes	19,708	-	-	19,708	-
Other taxes	71,947	-	-	71,947	-
Restricted for transportation purposes:					
Motor and special fuel taxes	186,751	-	-	186,751	-
Other taxes	19,510	-	-	19,510	-
Restricted for regulation purposes:					
Other taxes	3,743	-	-	3,743	-
Settlement income	59,159	-	-	59,159	-
Unrestricted investment earnings	2,892	-	-	2,892	107,534
Gain on sale of assets	-	-	-	-	6,699
Other general revenues	153,674	-	-	153,674	1,695
Contributions to permanent funds	5,376	-	-	5,376	10,829
Payments from State of Nevada	-	-	-	-	468,641
Transfers	(22,229)	22,229	-	-	-
Total general revenues and transfers	3,953,197	588,366	-	4,541,563	595,398
Change in net position	437,431	212,687	-	650,118	100,103
Net position - beginning (as restated)	4,658,419	(9,343)	-	4,649,076	2,701,094
Net position - ending	\$ 5,095,850	\$ 203,344	\$ -	\$ 5,299,194	\$ 2,801,197

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

Balance Sheet Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Assets			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 513,593,623	\$ 143,323,315	\$ -
Cash in custody of other officials	6,263,919	175,638	-
Investments	10,101,651	-	270,875,000
<i>Receivables:</i>			
Accounts receivable	42,912,108	1,740,118	-
Taxes receivable	820,972,168	42,299,227	-
Intergovernmental receivables	371,932,753	8,769,335	-
Accrued interest and dividends	2,464,962	-	1,236,761
Notes/loans receivable	14,162,107	-	-
Other receivables	15,830	-	-
Due from other funds	48,151,631	5,442,179	2,102
Due from fiduciary funds	196,089	-	-
Due from component units	82,738	1,546	-
Inventory	12,796,127	13,867,443	-
Advances to other funds	6,067,412	-	-
Prepaid items	1,784,239	152,900	-
Total assets	<u>\$ 1,851,497,357</u>	<u>\$ 215,771,701</u>	<u>\$ 272,113,863</u>
Liabilities and Fund Balances			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 335,200,703	\$ 27,392,093	\$ -
Accrued payroll and related liabilities	43,212,865	16,225,253	-
Intergovernmental payables	113,060,777	33,064	-
Interest payable	-	-	-
Contracts/retentions payable	30,416	13,063,697	-
Due to other funds	22,782,164	2,796,837	48,616
Due to fiduciary funds	474,786,156	767,296	-
Due to component units	9,151,943	642,786	-
Unearned revenues	236,808,576	316,843	-
Deferred revenues	198,949,233	4,258,996	1,237,288
Other liabilities	46,495,684	1,267,343	-
Total liabilities	<u>1,480,478,517</u>	<u>66,764,208</u>	<u>1,285,904</u>
Fund balances:			
Nonspendable	33,112,551	14,020,343	270,827,959
Restricted	59,358,721	111,708,663	-
Committed	345,248,424	23,278,487	-
Unassigned	(66,700,856)	-	-
Total fund balances	<u>371,018,840</u>	<u>149,007,493</u>	<u>270,827,959</u>
Total liabilities and fund balances	<u>\$ 1,851,497,357</u>	<u>\$ 215,771,701</u>	<u>\$ 272,113,863</u>

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



NEVADA

Consolidated Bond Interest and Redemption	Permanent School Fund	Other Governmental Funds	Total Governmental Funds
\$ 137,725,878	\$ 4,862,681	\$ 372,611,921	\$ 1,172,117,418
-	137,945,904	4,703,959	149,089,420
-	175,583,889	1,233,813	457,794,353
-	-	21,994,504	66,646,730
-	-	23,744,923	887,016,318
638,571	556,765	9,252,050	391,149,474
-	370,806	1,824	4,074,353
-	-	-	14,162,107
-	-	-	15,830
12,776,213	37,037	44,688,680	111,097,842
-	-	396,037	592,126
-	2,285,904	2,932	2,373,120
-	-	467,723	27,131,293
1,054,456	-	-	7,121,868
-	-	6,298	1,943,437
<u>\$ 152,195,118</u>	<u>\$ 321,642,986</u>	<u>\$ 479,104,664</u>	<u>\$ 3,292,325,689</u>
\$ 22,575	\$ -	\$ 8,493,674	\$ 371,109,045
-	-	2,881,178	62,319,296
-	2,608	3,782,307	116,878,756
2,386,356	-	-	2,386,356
-	-	4,777,299	17,871,412
22,470,043	1,665,219	77,447,414	127,210,293
-	-	20,798	475,574,250
-	-	11,194,324	20,989,053
-	-	496,036	237,621,455
1,473	8,380	22,223,282	226,678,652
1,405,000	1,408,025	37,619,786	88,195,838
<u>26,285,447</u>	<u>3,084,232</u>	<u>168,936,098</u>	<u>1,746,834,406</u>
-	318,558,754	704,021	637,223,628
-	-	212,764,271	383,831,655
125,909,671	-	96,700,274	591,136,856
-	-	-	(66,700,856)
<u>125,909,671</u>	<u>318,558,754</u>	<u>310,168,566</u>	<u>1,545,491,283</u>
<u>\$ 152,195,118</u>	<u>\$ 321,642,986</u>	<u>\$ 479,104,664</u>	<u>\$ 3,292,325,689</u>

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



NEVADA

June 30, 2013

Total fund balances - governmental funds

\$ 1,545,491,283

Amounts reported for governmental activities in the statement of net position 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	\$ 145,536,458	
Construction in progress	157,716,227	
Infrastructure assets	3,605,405,799	
Rights-of-way	618,481,967	
Buildings	1,644,793,690	
Improvements other than buildings	119,384,801	
Furniture and equipment	337,580,270	
Software costs	160,672,714	
Accumulated depreciation/amortization	(993,272,666)	
Total capital assets		5,796,299,260

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. 226,678,652

Intergovernmental receivable not providing current resources. 221,045

The Judicial Retirement System of Nevada has a net pension asset not reported as a reduction of expenditures in the funds. 268,106

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 position. 59,848,839

The deferred loss on early retirement of debt is reported as a deferred charge on the statement of net position and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less. 30,253,886

Certain bond costs are reported as a deferred charge on the statement of net position and are amortized over the life of the debt. 11,770,670

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	(2,389,861,881)	
Accrued interest on bonds	(15,482,980)	
Arbitrage rebate liability	(1,042,557)	
Certificates of participation	(52,338,991)	
Capital leases	(24,847,688)	
Compensated absences	(91,407,427)	
Total long-term liabilities		(2,574,981,524)

Net position of governmental activities

\$ 5,095,850,217

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, 2013

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	\$ 882,574,969	\$ -	\$ -
Sales taxes	1,024,623,887	-	-
Modified business taxes	386,610,081	-	-
Insurance premium taxes	248,512,421	-	-
Property and transfer taxes	57,324,939	-	-
Motor and special fuel taxes	2,692,758	186,750,970	-
Other taxes	604,968,343	19,482,133	-
Intergovernmental	2,823,207,559	375,228,233	-
Licenses, fees and permits	279,735,953	183,327,963	-
Sales and charges for services	57,266,486	13,859,924	-
Interest and investment income	9,619,955	649,477	11,338,517
Settlement income	-	-	-
Land sales	-	-	-
Other	107,361,217	33,618,369	-
Total revenues	6,484,498,568	812,917,069	11,338,517
Expenditures			
<i>Current:</i>			
General government	142,506,383	-	-
Health and social services	3,154,195,815	-	-
Education and support services	52,475,366	-	-
Law, justice and public safety	420,596,418	149,803,165	-
Regulation of business	62,351,368	-	-
Transportation	-	578,230,682	-
Recreation and resource development	96,833,093	-	-
Intergovernmental	2,469,661,530	87,244,104	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	1,674,074	-	-
Interest, fiscal charges	1,416,125	1,625	-
Debt issuance costs	-	-	-
Arbitrage payments	179,982	-	-
Total expenditures	6,401,890,154	815,279,576	-
Excess (deficiency) of revenues over expenditures	82,608,414	(2,362,507)	11,338,517
Other Financing Sources (Uses)			
Sale of general obligation refunding bonds	-	-	23,505,000
Premium on general obligation bonds	-	-	-
Payment to refunded bond agent	-	-	(23,414,867)
Sale of capital assets	91,548	282	-
Transfers in	70,343,358	4,805,962	-
Transfers out	(52,353,206)	(7,494,603)	(26,766,462)
Total other financing sources (uses)	18,081,700	(2,688,359)	(26,676,329)
Net change in fund balances	100,690,114	(5,050,866)	(15,337,812)
Fund balances, July 1	270,328,726	154,058,359	286,165,771
Fund balances, June 30	\$ 371,018,840	\$ 149,007,493	\$ 270,827,959

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
\$ -	\$ -	\$ 14,110,206	\$ 896,685,175
-	-	-	1,024,623,887
-	-	-	386,610,081
-	-	-	248,512,421
138,178,569	-	19,707,594	215,211,102
-	-	79,788,339	269,232,067
-	-	61,497,789	685,948,265
10,182,462	-	132,009,072	3,340,627,326
-	-	24,058,830	487,122,746
457,779	-	16,010,257	87,594,446
1,654,982	765,053	(532,094)	23,495,890
-	-	147,070,764	147,070,764
-	631,755	-	631,755
-	4,762,908	5,965,213	151,707,707
<u>150,473,792</u>	<u>6,159,716</u>	<u>499,685,970</u>	<u>7,965,073,632</u>
279,240	-	349,277	143,134,900
-	-	110,687,810	3,264,883,625
-	-	643,746	53,119,112
-	-	25,248,918	595,648,501
-	-	18,242,661	80,594,029
-	-	-	578,230,682
-	-	24,497,347	121,330,440
3,347,006	-	32,732,141	2,592,984,781
-	-	61,330,381	61,330,381
108,915,000	-	53,300,000	163,889,074
89,753,780	-	25,011,605	116,183,135
1,222,105	-	678,765	1,900,870
-	-	-	179,982
<u>203,517,131</u>	<u>-</u>	<u>352,722,651</u>	<u>7,773,409,512</u>
<u>(53,043,339)</u>	<u>6,159,716</u>	<u>146,963,319</u>	<u>191,664,120</u>
198,720,000	-	131,245,000	353,470,000
27,235,913	-	25,544,705	52,780,618
(224,682,094)	-	(156,081,511)	(404,178,472)
-	-	7,312	99,142
50,091,230	-	68,895,050	194,135,600
(19,218,372)	(655,090)	(109,995,177)	(216,482,910)
<u>32,146,677</u>	<u>(655,090)</u>	<u>(40,384,621)</u>	<u>(20,176,022)</u>
(20,896,662)	5,504,626	106,578,698	171,488,098
146,806,333	313,054,128	203,589,868	1,374,003,185
<u>\$ 125,909,671</u>	<u>\$ 318,558,754</u>	<u>\$ 310,168,566</u>	<u>\$ 1,545,491,283</u>

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



For the Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 171,488,098
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	\$ 232,772,315
Depreciation expense	<u>(65,652,809)</u>
Excess of capital outlay over depreciation expense	167,119,506
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	(353,470,000)
Premiums on debt issued	<u>(52,780,618)</u>
Total bond proceeds	(406,250,618)
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 position. In the current year, these amounts consist of:	
Bond principal retirement	164,571,677
Certificates of participation retirement	1,815,000
Payments to the bond refunding agent	404,178,472
Capital lease payments	<u>3,171,504</u>
Total long-term debt repayment	573,736,653
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.	
	3,580,788
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.	
	(100,967,621)
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.	
	(590,722)
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.	
	1,900,870
Amortization of bond issuance costs is reported as an expense for the statement of activities.	
	(1,173,322)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.	
	(9,119,521)
Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.	
	14,491,011
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	269,394
Decrease in accrued interest	2,743,903
Increase in compensated absences	(870,438)
Increase in arbitrage liability	(243,799)
Decrease in settlement agreement liability	<u>21,317,183</u>
Total additional expenditures	23,216,243
Change in net position of governmental activities	<u>\$ 437,431,365</u>

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

Statement of Net Position Proprietary Funds

June 30, 2013

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total	
Assets							
Current assets:							
<i>Cash and pooled investments:</i>							
Cash with treasurer	\$ 807,055	\$ -	\$ 82,375,176	\$ 949,218	\$ 53,033,160	\$ 137,164,609	\$ 191,743,430
Cash in custody of other officials	195,935	14,119,464	-	719,225	220,929	15,255,553	100
Investments	90,680,107	-	-	160,605,978	-	251,286,085	-
<i>Receivables:</i>							
Accounts receivable	-	-	-	575	2,066,559	2,067,134	834,574
Assessments receivable	-	201,718,523	-	-	250	201,718,773	-
Intergovernmental receivables	-	-	418,817	-	1,326,877	1,745,694	760,183
Contracts receivable	-	-	-	7,282,815	-	7,282,815	-
Mortgages receivable	16,974,400	-	-	-	-	16,974,400	-
Accrued interest and dividends	7,762,507	-	4,220,903	442,188	-	12,425,598	-
Notes/loans receivable	-	-	-	-	-	-	5,000
Due from other funds	34,391	13,240,597	216,023	70,290	1,271,630	14,832,931	5,517,639
Due from fiduciary funds	-	-	-	-	3,481	3,481	2,735,653
Due from component units	-	-	-	-	-	-	53,091
Inventory	-	-	-	-	1,460,990	1,460,990	299,732
Prepaid items	-	-	-	-	25,345	25,345	73,367
<i>Restricted assets:</i>							
Investments	114,919,501	-	-	-	-	114,919,501	-
Total current assets	231,373,896	229,078,584	87,230,919	170,070,289	59,409,221	777,162,909	202,022,769
Noncurrent assets:							
Investments	208,507,910	-	282,788,596	-	-	491,296,506	-
<i>Receivables:</i>							
Contracts receivable	-	-	-	24,909,879	-	24,909,879	-
Mortgages receivable	510,731,295	-	-	-	-	510,731,295	-
Notes/loans receivable	-	-	41,225,066	-	-	41,225,066	90,000
Deferred charges	2,138,319	-	2,601,636	-	219,520	4,959,475	-
<i>Restricted assets:</i>							
Investments	4,369,121	-	-	-	-	4,369,121	-
Other assets	-	-	-	-	15,000	15,000	-
<i>Capital assets:</i>							
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	745,067	-	35,280	161,874	5,460,358	6,402,579	46,974,924
Software costs	-	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	-	10,122,142	10,122,142	-
Less accumulated depreciation/ amortization	(385,538)	-	(35,280)	(40,384)	(8,179,806)	(8,641,008)	(65,156,922)
Total noncurrent assets	726,106,174	-	326,615,298	25,031,369	12,224,513	1,089,977,354	19,991,702
Total assets	957,480,070	229,078,584	413,846,217	195,101,658	71,633,734	1,867,140,263	222,014,471



	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total	
Liabilities							
Current liabilities:							
<i>Accounts payable and accruals:</i>							
Accounts payable	\$ 19,142,681	\$ 14,821,365	\$ 21,955	\$ 131,636	\$ 1,074,393	\$ 35,192,030	\$ 3,942,702
Accrued payroll and related liabilities	89,909	-	15,041	5,745	1,068,494	1,179,189	1,595,314
Interest payable	5,316,621	13,240,284	1,345,737	-	41,473	19,944,115	-
Intergovernmental payables	-	-	1,000	-	131,483	132,483	497,648
Bank overdraft	-	-	-	-	-	-	10,012,384
Due to other funds	1,536	431,558	278,145	65,987	1,985,480	2,762,706	1,475,413
Due to fiduciary funds	-	-	-	-	166,093	166,093	12,704
Due to component units	-	-	-	32,912	485	33,397	37,972
Unearned revenues	-	-	-	-	12,414,740	12,414,740	21,350,447
Other liabilities	-	-	-	-	11,509	11,509	-
<i>Short-term portion of long-term liabilities:</i>							
Reserve for losses	-	-	-	-	-	-	61,566,693
Compensated absences	79,262	-	16,836	8,644	1,085,216	1,189,958	1,974,646
Benefits payable	-	-	-	14,451,947	-	14,451,947	-
Bonds payable	42,308,000	-	11,453,864	-	163,600	53,925,464	513,323
Obligations under capital leases	-	-	-	-	-	-	114,034
Total current liabilities	66,938,009	28,493,207	13,132,578	14,696,871	18,142,966	141,403,631	103,093,280
Noncurrent liabilities:							
Advances from funds	-	-	-	5,000,000	268,710	5,268,710	1,853,158
Federal unemployment advance	-	573,956,646	-	-	-	573,956,646	-
Reserve for losses	-	-	-	-	-	-	49,963,596
Compensated absences	78,999	-	9,482	5,333	613,962	707,776	1,337,967
Benefits payable	-	-	-	159,946,571	-	159,946,571	-
Bonds payable	697,578,228	-	76,069,984	-	8,885,879	782,534,091	5,762,895
Obligations under capital leases	-	-	-	-	-	-	133,886
Total noncurrent liabilities	697,657,227	573,956,646	76,079,466	164,951,904	9,768,551	1,522,413,794	59,051,502
Total liabilities	764,595,236	602,449,853	89,212,044	179,648,775	27,911,517	1,663,817,425	162,144,782
Net Position							
Net investment in capital assets	359,529	-	-	121,490	2,940,514	3,421,533	13,528,777
<i>Restricted for:</i>							
Tuition contract benefits	-	-	-	15,331,393	-	15,331,393	-
Security of outstanding obligations	189,404,677	-	-	-	-	189,404,677	-
Workers' compensation	-	-	-	-	31,037,940	31,037,940	-
Revolving loans	-	-	324,634,173	-	-	324,634,173	-
Regulation of business	-	-	-	-	2,000	2,000	-
Unrestricted (deficit)	3,120,628	(373,371,269)	-	-	9,741,763	(360,508,878)	46,340,912
Total net position	\$ 192,884,834	\$ (373,371,269)	\$324,634,173	\$15,452,883	\$ 43,722,217	203,322,838	\$ 59,869,689

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

Net position of business-type activities

20,850
\$ 203,343,688

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

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Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds



NEVADA

For the Fiscal Year Ended June 30, 2013

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues							
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$343,223,124
Sales	-	-	-	19,935,698	6,863,313	26,799,011	2,476,745
Assessments	-	565,925,448	-	-	211,929	566,137,377	-
Charges for services	-	-	150,000	138,800	15,546,288	15,835,088	41,548,670
Rental income	-	-	-	-	80,880	80,880	18,400,716
Interest income on loans/notes	16,545,805	-	8,723,236	-	-	25,269,041	-
Federal government	-	449,782,433	18,121,597	-	-	467,904,030	-
Licenses, fees and permits	-	-	-	-	40,680,715	40,680,715	-
Fines	-	-	-	-	2,979,983	2,979,983	-
Other	3,294,565	1,556,046	-	-	513,222	5,363,833	256,145
Total operating revenues	19,840,370	1,017,263,927	26,994,833	20,074,498	66,876,330	1,151,049,958	405,905,400
Operating Expenses							
Salaries and benefits	1,489,425	-	379,213	153,887	33,181,189	35,203,714	31,800,768
Operating	6,852,731	-	5,296,628	658,722	13,389,879	26,197,960	35,107,579
Claims and benefits expense	-	849,317,267	-	24,255,992	9,926,008	883,499,267	206,683,046
Interest on bonds payable	23,225,661	-	-	-	-	23,225,661	-
Materials or supplies used	-	-	-	-	3,532,798	3,532,798	1,194,618
Servicers' fees	238,872	-	-	-	-	238,872	-
Depreciation	3,021	-	-	15,343	372,154	390,518	2,721,299
Amortization	-	-	-	-	-	-	214,246
Bond issuance costs amortization	286,149	-	485,249	-	-	771,398	-
Insurance premiums	-	-	-	-	-	-	124,993,621
Total operating expenses	32,095,859	849,317,267	6,161,090	25,083,944	60,402,028	973,060,188	402,715,177
Operating income (loss)	(12,255,489)	167,946,660	20,833,743	(5,009,446)	6,474,302	177,989,770	3,190,223
Nonoperating Revenues (Expenses)							
Interest and investment income	11,187,339	-	1,605,962	16,165,633	(156,447)	28,802,487	178,016
Interest expense	-	(18,283,202)	(2,782,660)	-	(428,214)	(21,494,076)	(13,677)
Bond issuance costs amortization	-	-	-	-	(18,890)	(18,890)	-
Federal grant revenue	2,404,186	-	-	-	4,848,169	7,252,355	-
Federal grant expense	(2,155,929)	-	-	-	-	(2,155,929)	-
Gain (loss) on disposal of assets	-	-	-	-	15,579	15,579	46,369
Total nonoperating revenues (expenses)	11,435,596	(18,283,202)	(1,176,698)	16,165,633	4,260,197	12,401,526	210,708
Income (loss) before capital contributions and transfers	(819,893)	149,663,458	19,657,045	11,156,187	10,734,499	190,391,296	3,400,931
Capital Contributions and Transfers							
Capital contributions	-	-	-	-	127,820	127,820	-
Transfers in	-	37,187,380	-	1,923,290	5,162,022	44,272,692	429,628
Transfers out	-	(7,577,897)	(1,168,012)	-	(13,425,968)	(22,171,877)	(183,133)
Change in net position	(819,893)	179,272,941	18,489,033	13,079,477	2,598,373	212,619,931	3,647,426
Net position, July 1 (as restated)	193,704,727	(552,644,210)	306,145,140	2,373,406	41,123,844		56,222,263
Net position, June 30	\$192,884,834	\$ (373,371,269)	\$324,634,173	\$15,452,883	\$ 43,722,217		\$ 59,869,689

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

Change in net position of business-type activities

66,638

\$ 212,686,569

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, 2013

	Enterprise Funds						Internal Service Funds
	Housing	Unemployment	Water	Higher	Other	Totals	
	Division	Compensation	Projects Loans	Education Tuition Trust	Enterprise Funds		
Cash flows from operating activities							
Receipts from customers and users	\$ 8,254,252	\$550,677,439	\$ 266,938	\$ 12,459,664	\$64,551,294	\$636,209,587	\$ 85,430,941
Receipts for interfund services provided	16,032	2,563,079	-	10,082	4,552,362	7,141,555	265,105,381
Receipts from component units	-	-	-	-	-	-	78,836,879
Receipts of principal on loans/notes	61,420,477	-	20,730,074	-	-	82,150,551	5,000
Receipts of interest on loans/notes	17,991,278	-	8,313,872	-	-	26,305,150	-
Receipts from federal government	-	449,782,433	18,744,395	-	-	468,526,828	-
Payments to suppliers, other governments and beneficiaries	(11,713,184)	(854,642,955)	(5,361,598)	(4,475,623)	(18,327,395)	(894,520,755)	(339,564,882)
Payments to employees	(1,430,012)	-	(390,314)	(159,221)	(32,546,815)	(34,526,362)	(31,359,965)
Payments for interfund services	(317,145)	-	(119,845)	(226,028)	(8,343,988)	(9,007,006)	(19,453,125)
Payments to component units	-	-	-	(5,183,838)	(57,295)	(5,241,133)	(248,805)
Purchase of loans and notes	(31,384,104)	-	(41,241,447)	-	-	(72,625,551)	-
Net cash provided by (used for) operating activities	42,837,594	148,379,996	942,075	2,425,036	9,828,163	204,412,864	38,751,424
Cash flows from noncapital financing activities							
Grant receipts	2,404,186	-	-	-	4,054,912	6,459,098	-
Advances from federal government	-	363,309,903	-	-	-	363,309,903	-
Proceeds from sale of bonds	-	-	21,940,771	-	-	21,940,771	-
Transfers and advances from other funds	-	23,947,096	-	1,923,290	5,150,994	31,021,380	256,194
Payment on federal advance	-	(509,785,575)	-	-	-	(509,785,575)	-
Payment on refunding bonds	-	-	(21,910,240)	-	-	(21,910,240)	-
Principal paid on noncapital debt	(71,119,384)	-	(9,415,000)	-	-	(80,534,384)	-
Interest paid on noncapital debt	(24,082,703)	(23,947,096)	(3,840,874)	-	-	(51,870,673)	-
Issue costs	-	-	-	-	-	-	-
Transfers and advances to other funds	-	(9,076,751)	(1,118,960)	-	(13,433,541)	(23,629,252)	(183,853)
Payments to other governments and organizations	(2,155,929)	-	-	-	-	(2,155,929)	(2)
Net cash provided by (used for) noncapital financing activities	(94,953,830)	(155,552,423)	(14,344,303)	1,923,290	(4,227,635)	(267,154,901)	72,339
Cash flows from capital and related financing activities							
Proceeds from capital debt	-	-	-	-	800,000	800,000	-
Proceeds from sale of capital assets	-	-	-	-	15,579	15,579	119,212
Purchase of capital assets	-	-	-	-	(134,786)	(134,786)	(2,154,061)
Principal paid on capital debt	-	-	-	-	(981,340)	(981,340)	(1,225,161)
Interest paid on capital debt	-	-	-	-	(446,854)	(446,854)	(13,675)
Payments on construction projects	-	-	-	-	(1,511,356)	(1,511,356)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(2,258,757)	(2,258,757)	(3,273,685)
Cash flows from investing activities							
Proceeds from sale of investments	291,457,169	-	-	264,705,566	-	556,162,735	-
Purchase of investments	(250,943,885)	-	-	(284,428,804)	-	(535,372,689)	-
Interest, dividends and gains (losses)	11,496,500	-	1,854,566	3,442,476	(239,736)	16,553,806	348,278
Net cash provided by (used for) investing activities	52,009,784	-	1,854,566	(16,280,762)	(239,736)	37,343,852	348,278
Net increase (decrease) in cash	(106,452)	(7,172,427)	(11,547,662)	(11,932,436)	3,102,035	(27,656,942)	35,898,356
Cash and cash equivalents, July 1	1,109,442	21,291,891	93,922,838	13,600,879	50,152,054	180,077,104	155,845,174
Cash and cash equivalents, June 30	\$ 1,002,990	\$ 14,119,464	\$ 82,375,176	\$ 1,668,443	\$ 53,254,089	\$ 152,420,162	\$ 191,743,530



	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Totals	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	\$ (12,255,489)	\$ 167,946,660	\$ 20,833,743	\$ (5,009,446)	\$ 6,474,302	\$ 177,989,770	\$ 3,190,223
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities							
Depreciation	3,021	-	-	15,343	372,154	390,518	2,721,299
Amortization	-	-	-	-	-	-	214,246
Bond issuance costs amortization	286,149	-	485,249	-	-	771,398	-
Interest on bonds payable	23,225,661	-	-	-	-	23,225,661	-
Decrease (increase) in loans and notes receivable	32,141,073	-	(20,511,373)	-	-	11,629,700	5,000
Decrease (increase) in accrued interest and receivables	(769,504)	(14,240,976)	330,372	-	1,397,406	(13,282,702)	2,180,048
Decrease (increase) in inventory, deferred charges, other assets	-	-	-	(7,604,752)	111,972	(7,492,780)	(90,194)
Increase (decrease) in accounts payable, accruals, other liabilities	206,683	(5,325,688)	(195,916)	15,023,891	1,472,329	11,181,299	30,530,802
Total adjustments	55,093,083	(19,566,664)	(19,891,668)	7,434,482	3,353,861	26,423,094	35,561,201
Net cash provided by (used for) operating activities	\$ 42,837,594	\$ 148,379,996	\$ 942,075	\$ 2,425,036	\$ 9,828,163	\$ 204,412,864	\$ 38,751,424
Noncash investing, capital and financing activities							
Acquisition of equipment	\$ 362,550	\$ -	\$ -	\$ -	\$ -	\$ 362,550	\$ -
Increase (decrease) in fair value of investments	-	-	-	12,692,843	-	12,692,843	-
Capital contribution	-	-	-	-	127,820	127,820	-

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

Statement of Fiduciary Net Position Fiduciary Funds



June 30, 2013

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 3,748,631	\$ 5,906	\$ 5,088,178	\$ 74,252,730
Cash in custody of other officials	686,813,688	3,618,695	15,367,094	34,638,301
<i>Investments:</i>				
Investments	1,060,841	1,091,453,770	11,248,846,275	208,939,789
Fixed income securities	6,445,915,485	-	-	-
Marketable equity securities	12,216,518,375	-	-	-
International securities	7,554,589,905	-	-	-
Real estate	1,265,383,156	-	-	-
Alternative investments	907,783,472	-	-	-
Collateral on loaned securities	4,867,492,944	-	-	-
<i>Receivables:</i>				
Accounts receivable	-	-	114,551	-
Accrued interest and dividends	100,546,841	3,709,903	3,925,971	-
Taxes receivable	-	-	-	53,879,037
Trades pending settlement	144,395,632	-	772,659	-
Intergovernmental receivables	90,908,873	-	136,501	40,354
Contributions receivable	-	-	9,719,092	-
Other receivables	8,419	-	-	107,731
Due from other funds	128,789	-	253,773	475,370,485
Due from fiduciary funds	17,420,555	-	-	10,535,217
Due from component unit	1,350,696	-	-	1,213,449
Other assets	2,060,547	-	-	-
Furniture and equipment	37,728,248	-	-	-
Accumulated depreciation	(33,949,044)	-	-	-
Total assets	34,309,906,053	1,098,788,274	11,284,224,094	858,977,093
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	12,420,788	139,225	2,466,090	-
Accrued payroll and related liabilities	-	-	714	248,890
Intergovernmental payables	-	-	18,651	527,246,644
Redemptions payable	-	-	4,257,052	-
Trades pending settlement	508,861,611	4,369,902	8,983,214	-
Bank overdraft	-	-	521,000	-
Obligations under securities lending	4,866,933,983	-	-	-
Due to other funds	2,735,653	31,939	563,668	-
Due to fiduciary funds	44,752	-	16,009	27,895,011
<i>Other liabilities:</i>				
Deposits	-	-	-	298,869,601
Other liabilities	240,123	-	-	4,716,947
Total liabilities	5,391,236,910	4,541,066	16,826,398	858,977,093
Net Position				
<i>Held in trust for:</i>				
Employees' pension benefits	28,914,222,795	-	-	-
OPEB benefits	4,446,348	-	-	-
Pool participants	-	1,094,247,208	-	-
Individuals	-	-	11,267,397,696	-
Total net position	\$ 28,918,669,143	\$ 1,094,247,208	\$ 11,267,397,696	\$ -

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

Statement of Changes in Fiduciary Net Position Fiduciary Funds



NEVADA

For the Fiscal Year Ended June 30, 2013

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
<i>Contributions:</i>			
Employer	\$ 1,354,066,714	\$ -	\$ -
Plan members	99,257,706	-	-
Participants	-	-	2,895,103,204
Repayment and purchase of service	46,467,628	-	-
Total contributions	1,499,792,048	-	2,895,103,204
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	2,429,373,877	9,612,740	766,459,152
Interest, dividends	727,557,507	12,542,761	252,952,778
Securities lending	(13,434,536)	-	-
Other	93,940,400	-	-
	3,237,437,248	22,155,501	1,019,411,930
<i>Less investment expense:</i>			
Cost of securities lending	(6,830,980)	-	-
Other	(27,449,279)	(34,653)	-
Net investment income	3,203,156,989	22,120,848	1,019,411,930
<i>Other:</i>			
Investment from local governments	-	796,588,074	-
Reinvestment from interest income	-	784,164	-
Other	2,601,272	174	-
Total other	2,601,272	797,372,412	-
Total additions	4,705,550,309	819,493,260	3,914,515,134
Deductions			
Principal redeemed	-	789,716,587	1,800,859,664
Benefit payments	1,718,957,509	-	19,061,078
Refunds	26,126,061	-	-
Contribution distributions	895,115	-	-
Dividends to investors	-	839,256	-
Administrative expense	9,709,758	625,423	24,113,695
Total deductions	1,755,688,443	791,181,266	1,844,034,437
Change in net position	2,949,861,866	28,311,994	2,070,480,697
Net position, July 1	25,968,807,277	1,065,935,214	9,196,916,999
Net position, June 30	\$ 28,918,669,143	\$ 1,094,247,208	\$ 11,267,397,696

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

Combining Statement of Net Position Discretely Presented Component Units



June 30, 2013

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
Assets				
Cash and pooled investments	\$ 8,725,982	\$ 224,433,000	\$ -	\$ 233,158,982
Investments	-	1,094,959,000	1,969,579	1,096,928,579
Due from primary government	69,287	20,991,135	-	21,060,422
Accounts receivable	10,831,418	30,922,865	-	41,754,283
Intergovernmental receivables	-	40,243,000	-	40,243,000
Accrued interest and dividends	21,337	-	-	21,337
Notes/loans receivable	-	13,218,000	-	13,218,000
Other receivables	-	51,454,000	-	51,454,000
Inventory	-	6,515,000	-	6,515,000
Prepaid expenses	20,020,415	-	-	20,020,415
<i>Restricted assets:</i>				
Cash	8,863,006	21,442,000	-	30,305,006
Investments	-	39,241,000	-	39,241,000
Other assets	-	49,334,000	-	49,334,000
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	-	130,137,000	-	130,137,000
Other capital assets, net	50,461,121	1,797,547,000	-	1,848,008,121
Total assets	98,992,566	3,520,437,000	1,969,579	3,621,399,145
Liabilities				
Accounts payable	3,182,799	42,777,437	-	45,960,236
Accrued payroll and related liabilities	-	68,807,000	-	68,807,000
Interest payable	839,672	8,431,000	-	9,270,672
Due to primary government	1,744	138,563	-	140,307
Unearned revenues	121,985	48,753,000	-	48,874,985
Other liabilities	14,458,299	26,014,000	-	40,472,299
<i>Long-term liabilities:</i>				
<i>Portion due or payable within one year:</i>				
Obligations under capital leases	-	963,000	-	963,000
Compensated absences	218,730	30,583,000	-	30,801,730
Bonds payable	4,275,699	25,648,000	-	29,923,699
<i>Portion due or payable after one year:</i>				
Federal advances	-	8,194,000	-	8,194,000
Obligations under capital leases	-	2,423,000	-	2,423,000
Compensated absences	130,394	16,144,000	-	16,274,394
Bonds payable	66,164,990	449,646,000	-	515,810,990
Due to primary government	-	-	2,285,904	2,285,904
Total liabilities	89,394,312	728,522,000	2,285,904	820,202,216
Net Position				
Net investment in capital assets	3,865,158	1,471,791,000	-	1,475,656,158
<i>Restricted for:</i>				
Capital projects	-	43,579,000	-	43,579,000
Debt service	-	19,870,000	-	19,870,000
Scholarships	-	333,997,000	-	333,997,000
Loans	-	8,210,000	-	8,210,000
Operations and maintenance	711,215	-	-	711,215
Research and development	5,203,611	-	-	5,203,611
Other purposes	-	1,093,000	-	1,093,000
<i>Funds held as permanent investments:</i>				
Nonexpendable	-	330,838,000	-	330,838,000
Unrestricted (deficit)	(181,730)	582,537,000	(316,325)	582,038,945
Total net position	\$ 9,598,254	\$ 2,791,915,000	\$ (316,325)	\$ 2,801,196,929

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

**Combining Statement of Activities
Discretely Presented Component Units**



NEVADA

For the Fiscal Year Ended June 30, 2013

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
Expenses	\$ 83,058,999	\$ 1,528,998,000	\$ 16,000	\$ 1,612,072,999
Program revenues				
Charges for services	80,906,325	622,058,000	-	702,964,325
Operating grants and contributions	-	412,328,000	-	412,328,000
Capital grants and contributions	-	1,486,000	-	1,486,000
Total program revenues	80,906,325	1,035,872,000	-	1,116,778,325
General revenues				
Unrestricted investment earnings	107,763	107,726,000	(300,325)	107,533,438
Gain on sale of assets	-	6,699,000	-	6,699,000
Other general revenues	-	1,695,000	-	1,695,000
Contributions to permanent funds	-	10,829,000	-	10,829,000
Payments from State of Nevada	-	468,641,000	-	468,641,000
Total general revenues	107,763	595,590,000	(300,325)	595,397,438
Change in net position	(2,044,911)	102,464,000	(316,325)	100,102,764
Net position, July 1	11,643,165	2,689,451,000	-	2,701,094,165
Net position, June 30	\$ 9,598,254	\$ 2,791,915,000	\$ (316,325)	\$ 2,801,196,929

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

**Note 1 - Summary of Significant Accounting Policies**

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Description of Government-wide Financial Statements

The Government-wide Financial Statements, which consist of the Statement of Net Position and the Statement of Activities, report information on all non-fiduciary activities of the primary government and its component units. All fiduciary activities, including component units that are fiduciary in nature, are reported only in the fund financial statements. 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 primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

For financial reporting purposes, 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 State's activities. Component units are legally separate organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 1) the ability of the State to impose its will on that organization; or 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. When the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity based on financial accountability if: 1) the organization is both fiscally dependent on the State and there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State; or 2) it would be misleading to exclude the organization.

Fiduciary Component Units: The following fiduciary component units are legally separate from the State. The State is financially accountable for these organizations since it appoints the voting majority of the boards and is able to impose its will on them through the ability to remove appointed members of the organization's governing board. Since these

component units are fiduciary in nature, they are included only in the fund financial statements with the primary government's fiduciary funds. Therefore, these component units are excluded from the government-wide financial statements.

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 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 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 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 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.

Blended Component Unit: The *Nevada Real Property Corporation* (NRPC) is a legally separate organization. The State is financially accountable for NRPC since it appoints the board of directors, and NRPC provides a financial benefit to the State by providing financing services. NRPC was incorporated to finance certain construction projects which include office buildings, a transitional residential facility and a warehouse, all financed by the issuance of certificates of participation. Upon completion of construction, the NRPC leases the facilities to the State. Since the NRPC provides financing services solely to the State, these financial transactions are reported as part of the primary government using the blended method.

Discretely Presented Component Units: 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, the component unit does not provide services entirely or almost entirely to the primary government, and the component unit's total debt outstanding is not expected to be repaid entirely or almost entirely with resources of the primary government. The following discretely presented component units meet these criteria and are reported



(Note 1 Continued)

in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

The *Nevada System of Higher Education* (NSHE) is a legally separate organization consisting of the institutions of public higher education in Nevada, the NSHE Administration entity, and their component units. NSHE is governed by a Board of Regents elected by the voters. NSHE is considered to be fiscally dependent on the primary government since the State can modify and approve their budgets. In addition, NSHE imposes a financial burden on the primary government since the State provides financial support to NSHE through annual operating and capital appropriations.

The *Colorado River Commission* (CRC) is a legally separate organization 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. The State is financially accountable for CRC since 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.

The *Nevada Capital Investment Corporation* (NCIC) is a legally separate organization whose board of directors consists of the State Treasurer, who serves as the chair; five members that are appointed by the primary government; and the Chancellor of NSHE, or his designee. Up to five additional members of the board may be chosen who are direct investors of the corporation. The NCIC is an independent corporation for public benefit, the general purpose of which is to act as a limited partner, shareholder or member to provide private equity funding to businesses located in or seeking to locate in Nevada, and engage in certain industries. The amount invested in the NCIC is not to exceed \$50 million from the State Permanent School Fund. The State is financially accountable for NCIC since it is able to impose its will through veto power by the State Treasurer.

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 organization's administrative offices:

Public Employees' Retirement System

Carson City, NV

Legislators' Retirement System

Carson City, NV

Judicial Retirement System

Carson City, NV

Retirement Benefits Investment Fund

Carson City, NV

Nevada System of Higher Education

Reno, NV

Colorado River Commission

Las Vegas, NV

Nevada Capital Investment Corporation

Carson City, NV

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

C. Basis of Presentation

Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. On the government-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As discussed earlier, the State has three discretely presented component units which are shown in a single column in the government-wide financial statements.

In general, the effect of interfund activity has been removed from the government-wide financial statements. 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. Certain centralized costs have been included as part of the program expenses reported for the various functions and activities. The net amount of interfund receivables and payables between governmental activities and business-type activities are reported as internal balances on the government-wide statement of net position. The net amount of transfers between governmental activities and business-type activities are reported as transfers on the government-wide statement of activities.

Fund Financial Statements: The fund financial statements provide information about the government's funds, including its fiduciary and blended component units. 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



(Note 1 Continued)

governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The State reports the following major governmental funds:

General Fund – this 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.

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.

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

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.

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:

Higher Education Tuition Trust Fund – accounts for the State program to assist Nevada residents in locking in the cost of future higher education expenses for Nevada colleges and universities. This program is financed through the sale of prepaid tuition contracts.

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.

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

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:

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.

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

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

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

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The 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 enough thereafter to pay liabilities of the current period. The State



(Note 1 Continued)

considers revenues to be 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary, pension and other employee benefit trust, investment trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

E. Assets, Liabilities and Net Position/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 Position 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 reported as investment trust funds. The investments of the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust are subject to the general limitations of NRS 355.170. 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. 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.



(Note 1 Continued)

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

Inventories – In general, inventories in governmental funds are recorded as expenditures when purchased; however, certain inventories in the General Fund, the Highway Fund, and nonmajor governmental funds are recorded as expenditures at the time individual inventory items are consumed. Inventory items in the governmental funds are offset by nonspendable fund balance to indicate that they are unavailable for appropriation.

Prepaid Items – Prepaid items reflect payments for costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items in the governmental 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 Position 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 – A liability for compensated absences relating to services already rendered and that are not contingent on a specified event is 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 Position, the accrued compensated absences for both proprietary and governmental fund types is reported.

Unearned and Deferred Revenue – Unearned revenue is recorded when cash or other assets are received prior to being earned. In addition, deferred revenue is recorded in the governmental fund statements when revenue is measurable but not available. In subsequent periods, when revenue recognition criteria are met, or 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. Deferred revenue in the General Fund consists primarily of gaming taxes required by statute to be paid in advance, and other refundable taxes.

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



(Note 1 Continued)

the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 8.

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

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 municipal securities, 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 for proper classification of fund balance. 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. Note 11 provides a disaggregation of governmental fund balances, nonspendable, restricted, committed, and unassigned.

Net Position/Fund Balance Flow Assumptions - The State's policy is to spend restricted amounts first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available. Therefore, restricted net position/fund balance is depleted before using unrestricted net position/fund balance. In governmental funds, 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.

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, 2013 is \$112,798,382.

F. Revenues and Expenditures/Expenses

Program Revenues - In the government-wide statement of 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.

Property Taxes - Property taxes are recognized as revenues in the year for which they are levied. 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.

Grants - The State participates in various federal award programs which are received in both cash and noncash forms.

*(Note 1 Continued)*

Grants and other entitlements are recognized as revenues when all eligibility requirements are met, including any time requirements, and the amount is received within 60 days after year-end. Federal reimbursement type grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received 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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses - 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.

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 \$34,579,832 were made in the 2013 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, 2013, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$195,609,746, of which \$17,695,199 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, 2013 NSHE's deposits in money market funds totaled \$189,975,000 and cash in bank was \$5,834,000. 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 Position/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 Position/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, 2013 (expressed in thousands):

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2013



NEVADA

(Note 3 Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 2,689,278	\$ 387,230	\$ 1,665,253	\$ 377,526	\$ 259,269
Negotiable certificate of deposit	15,000	15,000	-	-	-
U. S. agencies	4,118,398	1,247,582	479,763	201,186	2,189,867
Mutual funds	3,983	3,983	-	-	-
Asset backed corporate securities	397,456	129,712	142,303	115,289	10,152
Corporate bonds and notes	2,060,946	98,822	971,271	484,855	505,998
Commercial paper	44,006	44,006	-	-	-
Fixed income securities	18,119	18,119	-	-	-
International investments	1,641,249	19,933	725,655	478,888	416,773
Municipal bonds	678,191	20,946	103,918	48,193	505,134
Investment agreements	4,747	-	-	223	4,524
Other short-term investments	737,535	737,535	-	-	-
Collateralized mortgage obligations	193,325	4,563	34,237	18,181	136,344
Other investments	251	-	251	-	-
Total	\$ 12,602,484	\$ 2,727,431	\$ 4,122,651	\$ 1,724,341	\$ 4,028,061

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 28 days to 12.3 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, 2013 (expressed in thousands):

Less than 1 year	\$ 204,583
1 to 5 years	153,309
6 to 10 years	25,060
More than 10 years	-
Total	\$ 382,952

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, 2013 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						Unrated
	AAA	AA	A	BBB	BB	B	
Negotiable certificate of deposit	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -
U.S. agencies	61,425	2,666,762	823,051	-	-	-	366,684
Mutual funds	3,739	-	-	-	-	-	10,994,440
Asset backed corporate securities	102,240	122,748	106,116	3,631	624	101	7,290
Corporate bonds and notes	72,184	301,585	955,351	656,355	34,725	38	28,200
Commerical paper	-	-	44,006	-	-	-	-
Fixed income securities	-	-	-	-	-	-	18,059
International investments	139,359	60,100	65,014	151,734	-	-	1,225,042
Municipal bonds	-	678,190	-	-	-	-	-
Investment agreements	-	-	2,049	1,832	506	-	360
Other short-term investments	178,538	-	64,824	-	-	-	686,636
Collateralized mortgage obligations	65,040	64,551	19,800	19,023	1,400	1,300	20,604
Total	\$ 622,525	\$ 3,893,936	\$ 2,095,211	\$ 832,575	\$ 37,255	\$ 1,439	\$ 13,347,315

As of June 30, 2013, 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, 2013.

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, 2013 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	\$ 546,138
Partnerships	96,310
Equities	4,052
Endowment cash/cash equivalents	1,353
Trust(s)	5,711
Private commingled funds	97,428
Total	\$ 750,992

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, 2013, 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	\$ 719,110	22.71%
So Nevada Water Authority	206,475	6.52%
Investment Trust Funds		
Federal Farm Credit Bank	59,846	5.19%
Federal Home Loan Bank	324,296	28.14%
Federal National Mortgage Assoc	110,564	9.59%

At June 30, 2013, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal National Mortgage Association- U.S. Agency Coupon Security	\$ 8,153	5.08%
Federal National Mortgage Association- Asset-Backed Mortgage Security	18,655	11.62%

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, 2013, the Housing Division's investments in Fannie Mae and Ginnie Mae are 10.43% and 41.99% 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.

Component Unit - The Nevada Capital Investment Corporation (NCIC) owns 99% equity interest in Silver State Opportunities Fund LLC (SSOF), a Nevada limited liability company, for the purpose of obtaining income. At June 30, 2013 the investment in equity interest of SSOF exceeded 5% of NCIC's total investments.



(Note 3 Continued)

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

Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds - The primary government does not have a policy regarding foreign currency risk; however, the State Treasurer’s office does not have any deposits or investments in foreign currency. The 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, 2013 (expressed in thousands):

	Currency by Investment and Fair Value				
	Fixed Income	Equity	Derivatives	Cash	Total
Australian Dollar	\$ 21,387	\$ 336,004	\$ 922	\$ 210	\$ 358,523
British Pound Sterling	106,252	1,132,803	3,473	5,536	1,248,064
Canadian Dollar	37,418	40,300	(1,016)	911	77,613
Danish Krone	12,006	66,715	701	303	79,725
Euro	611,974	1,565,620	5,587	7,868	2,191,049
Hong Kong Dollar	-	141,640	12	706	142,358
Israeli Shekel	-	19,787	(10)	910	20,687
Japanese Yen	556,478	992,023	2,573	9,289	1,560,363
Malaysian Ringgit	7,651	-	-	606	8,257
Mexican New Peso	22,527	-	(304)	1,211	23,434
New Zealand Dollar	-	4,846	-	100	4,946
Norwegian Krone	3,732	80,004	3,501	1,009	88,246
Polish Zloty	10,189	-	204	405	10,798
S. African Comm Rand	7,365	-	1	1,208	8,574
Singapore Dollar	5,430	89,305	2	1,022	95,759
Swedish Krona	8,062	136,163	12	312	144,549
Swiss Franc	2,438	475,946	14	532	478,930
Total	\$ 1,412,909	\$ 5,081,156	\$ 15,672	\$ 32,138	\$ 6,541,875

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 GAA portfolios in U.S. dollars as of June 30, 2013 (expressed in thousands):

	Currency at Fair Value
British Pound	\$ 2
Euro	(2)
Japanese Yen	11
Taiwan Dollar	14
Total	\$ 25

Component Unit - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$155,699,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2013.

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, 2013 (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



(Note 3 Continued)

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.

The fair value of underlying securities on loan at June 30, 2013 is \$4,744,049,545. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Position as an asset with a related liability. At June 30, 2013, 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, 2013.

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, 2013. 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 2013 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	\$ 68,709	\$ (625)	\$ (32,066)	\$ 137	\$ (488)
British Pound Sterling	243,896	(721)	(88,477)	70	(651)
Canadian Dollar	26,467	(11)	(5,077)	12	1
Danish Krone	33,707	8	(14,205)	(59)	(51)
Euro	555,629	(591)	(318,610)	(2,098)	(2,689)
Hong Kong Dollar	23,845	(2)	(6,052)	(1)	(3)
Israeli Shekel	4,389	10	(808)	13	23
Japanese Yen	267,754	(1,717)	(96,515)	395	(1,322)
Malaysian Ringgit	4,955	(12)	-	-	(12)
Mexican New Peso	4,309	(15)	(1,269)	(1)	(16)
New Zealand Dollar	653	(4)	-	-	(4)
Norwegian Krone	26,712	(72)	(14,535)	10	(62)
Polish Zloty	2,330	(25)	(1,850)	(2)	(27)
S African Comm Rand	10,313	(192)	(194)	(4)	(196)
Singapore Dollar	14,765	(43)	(6,356)	26	(17)
Swedish Krona	28,790	(176)	(8,454)	14	(162)
Swiss Franc	85,679	(49)	(57,940)	84	35
Total	\$ 1,402,902	\$ (4,237)	\$ (652,408)	\$ (1,404)	\$ (5,641)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2013



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(Note 3 Continued)

The PERS, LRS, JRS, and RBIF's derivative pending transactions as of June 30, 2013, are summarized in the following table (expressed in thousands):

Foreign Exchange Contracts					
	Purchases	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Australian Dollar	\$ 1,315	\$ (22)	\$ (344)	\$ -	\$ (22)
British Pound Sterling	3,425	(13)	-	-	(13)
Canadian Dollar	-	-	(1,021)	-	-
Danish Krone	689	(2)	-	-	(2)
Euro	5,563	(5)	-	-	(5)
Hong Kong Dollar	12	-	-	-	-
Israeli Shekel	-	-	(10)	-	-
Japanese Yen	5,797	(66)	(3,148)	-	(66)
Mexican New Peso	-	-	(347)	-	-
Norwegian Krone	3,490	(37)	-	-	(37)
Polish Zloty	206	-	-	-	-
S African Comm Rand	2	-	-	-	-
Singapore Dollar	71	-	-	-	-
Swedish Krona	66	-	-	-	-
Swiss Franc	14	-	(11)	-	-
Total	\$ 20,650	\$ (145)	\$ (4,881)	\$ -	\$ (145)

Management 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. The Portfolios use five types of derivatives: futures contracts, forward currency contracts, OTC (over-the-counter) total return swap contracts, OTC interest rate swap contracts, and OTC 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 instruments and is reported in the Statement of Fiduciary Net Position. The net increase (decrease) in fair value is reported as investment income on the Statement of Changes in Fiduciary Net Position. The Portfolios' investment derivative instruments as of June 30, 2013, 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
OTC Interest Rate Swap Contracts, gross	\$ 29,432	\$ (143)	\$ (155)
OTC Total Return Swap Contracts, gross	12,811	(10)	(66)
OTC Credit Default Contracts, gross	17,424	(54)	(2)
Forward Currency Contracts, net	75,209	(344)	(187)
Futures Contracts, gross	-	(137)	(195)
Total	\$ 134,876	\$ (688)	\$ (605)

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 currencies 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 Position.

The Portfolios entered into OTC total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount, to hedge sector exposure, manage exposure to specific sectors or industries, manage exposure to credit risk, and gain exposure to specific markets or countries. 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. OTC 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



(Note 3 Continued)

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 Position.

The Portfolios entered into OTC and/or centrally cleared interest rate swap contracts to hedge interest rate risk and to gain exposure on interest. OTC and centrally cleared 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 counterparty. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC credit default contracts to hedge credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In an OTC credit default contract, the protection buyer typically makes an upfront 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 OTC 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 OTC 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. 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	Total Return	Credit Default	Forward	Futures	Total
	Swap	Swap		Currency		
Bank of America, N.A.	\$ -	\$ -	\$ (2)	\$ (8)	\$ (137)	\$ (147)
Barclays Bank PLC	(1)	-	(2)	(49)	-	(52)
Citibank, N.A.	(66)	(17)	-	(53)	-	(136)
Credit Suisse International	(16)	7	(32)	(63)	-	(104)
Deutsche Bank AG	-	-	-	(5)	-	(5)
Goldman Sachs International	(61)	-	-	-	-	(61)
HSBC Bank USA, National Association	-	-	-	(21)	-	(21)
JPMorgan Chase Bank, N.A.	-	-	(17)	(24)	-	(41)
Royal Bank of Scotland PLC (The)	-	-	-	(1)	-	(1)
State Street Bank and Trust Co.	-	-	-	(70)	-	(70)
UBS AG	-	-	-	(14)	-	(14)
Westpac Banking Corp.	-	-	-	(36)	-	(36)
Total	\$ (144)	\$ (10)	\$ (53)	\$ (344)	\$ (137)	\$ (688)

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, 2013 (expressed in thousands):

	Maturities in Years				
	Less than 1	1-5	6-10	Greater than 10	Total
OTC Interest Rate Swap Contracts	\$ -	\$ 59	\$ (209)	\$ 6	\$ (144)
OTC Total Return Swap Contracts	(17)	-	-	7	(10)
OTC Credit Default Contracts	-	(37)	-	(17)	(54)
Forward Currency Contracts	(343)	-	-	-	(343)
Futures Contracts	(137)	-	-	-	(137)
Total	\$ (497)	\$ 22	\$ (209)	\$ (4)	\$ (688)

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, 2013 (expressed in thousands):



(Note 3 Continued)

Forward Currency Contracts					
	<u>Buy</u>	<u>Fair Value</u>	<u>Sell</u>	<u>Fair Value</u>	<u>Total Fair Value</u>
Australian Dollar	\$ 2,486	\$ (308)	\$ 2,807	\$ 98	\$ (210)
Brazilian Real	1,841	(123)	1,841	55	(68)
British Pound	1,145	(12)	1,760	19	7
Canadian Dollar	2,406	(82)	3,200	81	(1)
Chilean Peso	1,428	(73)	1,428	20	(53)
Chinese Yuan	329	2	328	(1)	1
Columbian Peso	200	(10)	200	4	(6)
Czech Koruna	-	-	292	5	5
Euro	3,022	(23)	1,673	11	(12)
Hong Kong Dollar	6	-	8	-	-
Indian Rupee	96	(9)	96	4	(5)
Indonesian Rupiah	51	(1)	150	(7)	(8)
Japanese Yen	2,698	35	2,801	84	119
Malaysian Ringgit	413	(20)	413	11	(9)
Mexican Peso	1,582	(92)	1,382	31	(61)
New Taiwan Dollar	199	(3)	199	1	(2)
Norwegian Krone	977	(35)	322	20	(15)
Peruvian New Sol	242	(18)	242	12	(6)
Philippines Peso	291	(14)	291	6	(8)
Polish Zloty	610	(19)	610	16	(3)
Russian Ruble	98	(1)	98	-	(1)
Singapore Dollar	-	-	1,726	-	-
South African Rand	526	(21)	526	25	4
South Korean Won	400	(3)	400	(1)	(4)
Swedish Krona	1,011	(24)	963	20	(4)
Swiss Franc	294	-	959	1	1
Thai Baht	202	(11)	202	5	(6)
Turkish Lira	-	-	98	1	1
Total	<u>\$ 22,553</u>	<u>\$ (865)</u>	<u>\$ 25,015</u>	<u>\$ 521</u>	<u>\$ (344)</u>

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

	<u>Foreign Currency</u>
British Pound	\$ 2
Euro	(2)
Japanese Yen	11
New Taiwan Dollar	14
Total	<u>\$ 25</u>

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):

	<u>Major Funds</u>		
	<u>General</u>	<u>Permanent School Fund</u>	<u>Total</u>
As shown on financial statements:			
Intergovernmental receivables	\$ 371,933	\$ 557	\$ 372,490
Notes/loans receivable	14,162	-	14,162
Due from Component Unit	83	2,286	2,369
Total	<u>\$ 386,178</u>	<u>\$ 2,843</u>	<u>\$ 389,021</u>
Classified:			
Current portion	<u>\$ 367,001</u>	<u>\$ 557</u>	<u>\$ 367,558</u>
Noncurrent portion:			
Intergovernmental receivables	6,712	-	6,712
Notes/loans receivable	12,465	-	12,465
Due from Component Unit	-	2,286	2,286
Total noncurrent portion	<u>19,177</u>	<u>2,286</u>	<u>21,463</u>
Total	<u>\$ 386,178</u>	<u>\$ 2,843</u>	<u>\$ 389,021</u>

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$34.6 million, and uncollectible accounts receivable are estimated at \$124.0 million. The proprietary funds have \$34.6 million in uncollectible accounts receivable of which \$14.7 million are from uninsured employers' fines and penalties, and \$14.6 million are from unemployment contributions and benefit overpayments.



Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2013, follows (expressed in thousands):

<u>Advances To</u>	<u>Advances From</u>		
	<u>Major Funds</u>		
		<u>Consolidated</u>	
	<u>General</u>	<u>Bond Interest</u>	<u>Total</u>
		<u>and Redemption</u>	
Major Enterprise Fund:			
Higher Ed Tuition Trust	\$ 5,000	\$ -	\$ 5,000
Nonmajor enterprise	269	-	269
Total Enterprise	5,269	-	5,269
Internal service	799	1,054	1,853
Total other funds	\$ 6,068	\$ 1,054	\$ 7,122

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, 2013, is shown below (expressed in thousands):

<u>Due From</u>	<u>Due To</u>						
	<u>Major Governmental Funds</u>						
	<u>General</u>	<u>State</u>	<u>Municipal</u>	<u>Cons Bond</u>	<u>Permanent</u>	<u>Nonmajor</u>	<u>Total</u>
		<u>Highway</u>	<u>Bond Bank</u>	<u>Interest and</u>	<u>School</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Redemption</u>			
Major Governmental Funds:							
General	\$ -	\$ 1,019	\$ 2	\$ 126	\$ 37	\$ 15,879	\$ 17,063
State Highway	1,418	-	-	-	-	600	2,018
Municipal Bond Bank	49	-	-	-	-	-	49
Consolidated Bond Interest and Redemption	79	-	-	-	-	22,390	22,469
Permanent School Fund	1,665	-	-	-	-	-	1,665
Nonmajor governmental	41,901	4,310	-	12,500	-	5,364	64,075
Total Governmental	45,112	5,329	2	12,626	37	44,233	107,339
Major Enterprise Funds:							
Unemployment Comp	-	-	-	-	-	431	431
Water Projects Loans	278	-	-	-	-	-	278
Higher Ed Tuition Trust	65	-	-	-	-	-	65
Nonmajor enterprise	1,656	10	-	-	-	-	1,666
Total Enterprise	1,999	10	-	-	-	431	2,440
Internal Service	1,041	103	-	151	-	24	1,319
Total other funds	\$ 48,152	\$ 5,442	\$ 2	\$ 12,777	\$ 37	\$ 44,688	\$ 111,098
Fiduciary	\$ 196	\$ -	\$ -	\$ -	\$ -	\$ 396	\$ 592
Component Units:							
Nevada System of Higher Education	\$ 83	\$ 1	\$ -	\$ -	\$ -	\$ 3	\$ 87
Nevada Capital Investment Corporation	-	-	-	-	2,286	-	2,286
Total Component Units	\$ 83	\$ 1	\$ -	\$ -	\$ 2,286	\$ 3	\$ 2,373



(Note 5 Continued)

	Due To									
	Major Enterprise Funds					Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
Due From	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Ed Tuition Trust						
Major Governmental Funds:										
General	\$ 35	\$ -	\$ 216	\$ 70	\$ 1,257	\$ 1,578	\$ 4,141	\$ 22,782	\$ 474,786	
State Highway	-	-	-	-	-	-	779	2,797	767	
Municipal Bond Bank	-	-	-	-	-	-	-	49	-	
Consolidated Bond Interest and Redemption	-	-	-	-	1	1	-	22,470	-	
Permanent School Fund	-	-	-	-	-	-	-	1,665	-	
Nonmajor governmental	-	13,240	-	-	10	13,250	122	77,447	21	
Total Governmental	35	13,240	216	70	1,268	14,829	5,042	127,210	475,574	
Major Enterprise Funds:										
Housing Division	-	-	-	-	-	-	2	2	-	
Unemployment Comp	-	-	-	-	-	-	-	431	-	
Water Projects Loans	-	-	-	-	-	-	-	278	-	
Higher Ed Tuition Trust	-	-	-	-	-	-	1	66	-	
Nonmajor enterprise	-	-	-	-	1	1	318	1,985	166	
Total Enterprise	-	-	-	-	1	1	321	2,762	166	
Internal Service	-	-	-	-	2	2	155	1,476	13	
Total other funds	\$ 35	\$ 13,240	\$ 216	\$ 70	\$ 1,271	\$ 14,832	\$ 5,518	\$ 131,448	\$ 475,753	
Fiduciary	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3	\$ 2,736	\$ 3,331	\$ 27,956	
Component Units:										
Colorado River Commission	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ -	
Nevada System of Higher Education	-	-	-	-	-	-	51	138	2,564	
Nevada Capital Investment Corporation	-	-	-	-	-	-	-	2,286	-	
Total Component Units	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53	\$ 2,426	\$ 2,564	

	Due To		
	Component Units		Total Component Units
Due From	Colorado River Commission	Nevada System of Higher Education	
Major Governmental Funds:			
General	\$ 23	\$ 9,129	\$ 9,152
State Highway	45	598	643
Nonmajor governmental	-	11,194	11,194
Total Governmental Funds	68	20,921	20,989
Major Enterprise Fund:			
Higher Ed Tuition Trust	-	33	33
Total Enterprise	-	33	33
Internal Service	1	37	38
Total	\$ 69	\$ 20,991	\$ 21,060

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, 2013, is shown below (expressed in thousands):

	Transfers Out/To						Total Governmental
	Major Governmental Funds						
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Permanent School	Nonmajor Governmental	
Transfers In/From							
Major Governmental Funds:							
General	\$ -	\$ 6,314	\$ 5	\$ 6	\$ 655	\$ 49,401	\$ 56,381
State Highway	513	-	-	-	-	4,293	4,806
Consolidated Bond Interest and Redemption	4,244	-	26,761	-	-	19,086	50,091
Nonmajor governmental	40,733	1,181	-	19,212	-	8	61,134
Total Governmental	45,490	7,495	26,766	19,218	655	72,788	172,412
Major Enterprise Funds:							
Unemployment Comp	-	-	-	-	-	37,187	37,187
Higher Ed Tuition Trust	1,923	-	-	-	-	-	1,923
Nonmajor enterprise	4,531	-	-	-	-	-	4,531
Total Enterprise	6,454	-	-	-	-	37,187	43,641
Internal Service	410	-	-	-	-	20	430
Total other funds	\$ 52,354	\$ 7,495	\$ 26,766	\$ 19,218	\$ 655	\$ 109,995	\$ 216,483

	Transfers Out/To					Total Other Funds
	Major Enterprise Fund					
	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 1,168	\$ 12,794	\$ 13,962	\$ -	\$ 70,343
State Highway	-	-	-	-	-	4,806
Consolidated Bond Interest and Redemption	-	-	-	-	-	50,091
Nonmajor governmental	7,578	-	-	7,578	183	68,895
Total Governmental	7,578	1,168	12,794	21,540	183	194,135
Major Enterprise Funds:						
Unemployment Comp	-	-	-	-	-	37,187
Higher Ed Tuition Trust	-	-	-	-	-	1,923
Nonmajor enterprise	-	-	632	632	-	5,163
Total Enterprise	-	-	632	632	-	44,273
Internal Service	-	-	-	-	-	430
Total other funds	\$ 7,578	\$ 1,168	\$ 13,426	\$ 22,172	\$ 183	\$ 238,838

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 \$37 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 \$469 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2013



NEVADA

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 Position. The components of restricted assets at June 30, 2013 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	\$ -	\$ -	\$ 30,305
Investments	119,289	119,289	39,241
Total	\$ 119,289	\$ 119,289	\$ 69,546
Restricted for:			
Debt service	\$ 119,289	\$ 119,289	\$ 3,254
Construction	-	-	22,763
Other purposes	-	-	43,529
Total	\$ 119,289	\$ 119,289	\$ 69,546

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2013, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 144,001	\$ 1,691	\$ (25)	\$ 145,667
Construction in progress	139,180	76,521	(57,985)	157,716
Infrastructure	3,476,100	129,306	-	3,605,406
Rights-of-way	609,417	9,838	(773)	618,482
Total capital assets, not being depreciated	4,368,698	217,356	(58,783)	4,527,271
Capital assets, being depreciated/amortized				
Buildings	1,610,115	53,468	-	1,663,583
Improvements other than buildings	120,913	2,311	-	123,224
Furniture and equipment	377,956	17,609	(11,010)	384,555
Software costs	173,459	2,917	(379)	175,997
Total capital assets, being depreciated/amortized	2,282,443	76,305	(11,389)	2,347,359
Less accumulated depreciation/amortization for:				
Buildings	(469,049)	(39,047)	-	(508,096)
Improvements other than buildings	(74,014)	(3,866)	-	(77,880)
Furniture and equipment	(308,211)	(21,509)	10,394	(319,326)
Software costs	(149,340)	(4,166)	379	(153,127)
Total accumulated depreciation/amortization	(1,000,614)	(68,588)	10,773	(1,058,429)
Total capital assets, being depreciated/amortized, net	1,281,829	7,717	(616)	1,288,930
Governmental activities capital assets, net	\$ 5,650,527	\$ 225,073	\$ (59,399)	\$ 5,816,201
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	8,607	1,515	-	10,122
Total capital assets, not being depreciated	9,175	1,515	-	10,690
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	5,887	636	(121)	6,402
Total capital assets, being depreciated	9,907	636	(121)	10,422
Less accumulated depreciation for:				
Buildings	(2,621)	(103)	-	(2,724)
Improvements other than buildings	(571)	(1)	-	(572)
Furniture and equipment	(5,169)	(287)	111	(5,345)
Total accumulated depreciation	(8,361)	(391)	111	(8,641)
Total capital assets, being depreciated, net	1,546	245	(10)	1,781
Business-type activities capital assets, net	\$ 10,721	\$ 1,760	\$ (10)	\$ 12,471



(Note 7 Continued)

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.

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

Governmental activities:	
General government	\$ 4,313
Education, support services	1,619
Health, social services	8,668
Law, justice, public safety	30,463
Recreation, resource development	5,415
Transportation	11,036
Regulation of business	2,115
Unallocated	2,023
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	2,936
Total depreciation/amortization expense - governmental activities	\$ 68,588
Business-type activities:	
Enterprise	\$ 391
Total depreciation expense - business-type activities	\$ 391

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2013, 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	\$ 26,909	\$ 25,303	\$ (17,449)	\$ 34,763
Land	82,627	-	-	82,627
Intangibles	808	-	-	808
Collections	11,315	629	(5)	11,939
Total capital assets, not being depreciated	<u>121,659</u>	<u>25,932</u>	<u>(17,454)</u>	<u>130,137</u>
Capital assets, being depreciated				
Buildings	2,321,115	21,615	(6,459)	2,336,271
Land and improvements	113,982	4,340	-	118,322
Machinery and equipment	333,804	26,507	(17,864)	342,447
Intangibles	39,587	2,597	(917)	41,267
Library books and media	119,874	2,978	(4,162)	118,690
Total capital assets, being depreciated	<u>2,928,362</u>	<u>58,037</u>	<u>(29,402)</u>	<u>2,956,997</u>
Less accumulated depreciation for:				
Buildings	(647,933)	(57,875)	6,192	(699,616)
Land and improvements	(85,704)	(3,985)	-	(89,689)
Machinery and equipment	(235,420)	(25,094)	15,880	(244,634)
Intangibles	(11,276)	(4,117)	532	(14,861)
Library books and media	(110,424)	(4,329)	4,103	(110,650)
Total accumulated depreciation	<u>(1,090,757)</u>	<u>(95,400)</u>	<u>26,707</u>	<u>(1,159,450)</u>
Total capital assets, being depreciated, net	<u>1,837,605</u>	<u>(37,363)</u>	<u>(2,695)</u>	<u>1,797,547</u>
Nevada System of Higher Education activity capital assets, net	<u>\$ 1,959,264</u>	<u>\$ (11,431)</u>	<u>\$ (20,149)</u>	<u>\$ 1,927,684</u>



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, 2013 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 1,870,455	\$ 222,225	\$ (338,160)	\$ 1,754,520	\$ 105,595
Special obligation bonds	557,735	131,245	(191,330)	497,650	56,220
Subtotal	2,428,190	353,470	(529,490)	2,252,170	161,815
Issuance premiums (discounts)	118,509	52,781	(27,322)	143,968	17,588
Total bonds payable	2,546,699	406,251	(556,812)	2,396,138	179,403
Certificates of participation	53,815	-	(1,815)	52,000	1,975
Issuance premiums (discounts)	492	-	(153)	339	95
Total certificates of participation	54,307	-	(1,968)	52,339	2,070
Other Governmental long-term activities:					
Obligations under capital leases	28,395	-	(3,299)	25,096	1,713
Compensated absences obligations	93,485	74,208	(72,973)	94,720	59,566
Arbitrage rebate liability	799	1,043	(799)	1,043	1,043
Total other governmental long-term activities	122,679	75,251	(77,071)	120,859	62,322
Governmental activities long-term obligations	\$ 2,723,685	\$ 481,502	\$ (635,851)	\$ 2,569,336	\$ 243,795
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 101,680	\$ 20,845	\$ (31,805)	\$ 90,720	\$ 10,690
Special obligation bonds	810,892	-	(71,095)	739,797	42,305
Subtotal	912,572	20,845	(102,900)	830,517	52,995
Issuance premiums (discounts)	4,984	2,244	(1,286)	5,942	930
Total bonds payable	917,556	23,089	(104,186)	836,459	53,925
Compensated absences obligations	1,644	1,716	(1,462)	1,898	1,190
Federal unemployment advance	720,432	363,310	(509,785)	573,957	-
Tuition benefits payable	159,096	22,601	(7,298)	174,399	14,452
Business-type activities long-term obligations	\$ 1,798,728	\$ 410,716	\$ (622,731)	\$ 1,586,713	\$ 69,567

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 State Highway Fund 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, 2013 are comprised of the following (expressed in thousands):



(Note 8 Continued)

	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Principal Outstanding</u>
Governmental activities:			
General obligation bonds:			
Subject to Constitutional Debt Limitation	.25-7.0%	\$ 1,802,850	\$ 1,172,265
Exempt from Constitutional Debt Limitation	1.6-7.0%	830,450	582,255
Special obligation bonds:			
Exempt from Constitutional Debt Limitation-			
Highway Improvement Revenue Bonds	2.5-6.0%	1,061,660	497,650
Subtotal		<u>3,694,960</u>	<u>2,252,170</u>
Issuance premiums (discounts)			
		<u>254,779</u>	<u>143,968</u>
Governmental activities bonds payable		<u>3,949,739</u>	<u>2,396,138</u>
Business-type activities:			
General obligation bonds:			
Exempt from Constitutional Debt Limitation	2.0-5.3%	176,275	90,720
Special obligation bonds:			
Housing Bonds	*.5-7.6%	997,570	739,797
Subtotal		<u>1,173,845</u>	<u>830,517</u>
Issuance premiums (discounts)			
		<u>9,228</u>	<u>5,942</u>
Business-type activities bonds payable		<u>1,183,073</u>	<u>836,459</u>
Total bonds payable		<u>\$ 5,132,812</u>	<u>\$ 3,232,597</u>

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

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2013, of the primary government are summarized in the table following (expressed in thousands):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 161,815	\$ 102,314	\$ 52,995	\$ 24,290
2015	151,840	95,555	20,716	23,569
2016	160,765	89,040	21,872	22,827
2017	168,300	82,272	20,912	22,028
2018	167,755	75,169	24,987	21,136
2019-2023	806,885	256,780	146,923	88,203
2024-2028	608,330	75,993	121,478	57,255
2029-2033	24,075	2,486	155,790	35,039
2034-2038	2,405	244	177,507	16,697
2039-2043	-	-	85,882	2,786
2044-2048	-	-	1,420	215
2049-2053	-	-	35	1
Total	<u>\$ 2,252,170</u>	<u>\$ 779,853</u>	<u>\$ 830,517</u>	<u>\$ 314,046</u>

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, 2013, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 1,701,164
Less: Bonds and leases payable as of June 30, 2013, subject to limitation	(1,178,185)
Remaining debt capacity	<u>\$ 522,979</u>



(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. Sixteen projects were funded through the Nevada Municipal Bond Bank as of June 30, 2013, and total investments in local governments amounted to \$270,875,000.

E. Refunded Debt and Redemptions

During the fiscal year 2013, the State of Nevada refunded \$248,375,000 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 \$243,070,000 at a \$29,846,936 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 \$138,030,000 in special obligation bonds, payable and collectible solely out of the gross pledged revenues, by issuing refunding bonds with a total par amount of \$131,245,000 at a \$25,544,705 premium. The refunding decreased the aggregate debt service payments by \$28,810,236 with an economic or present value gain of \$28,711,375. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of \$28,850,782. 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:				
Nevada Municipal Bond Bank Projects Nos. 84, 85 and 86 Series 2013A	\$ 23,415	\$ 23,360	\$ 6,800	\$ 5,117
Water Pollution Control Revolving Fund Leveraged Refunding Bonds Series 2013B	18,889	18,240	3,952	3,275
Water Pollution Control Revolving Fund Matching Bonds Series 2013C	3,021	3,210	695	576
Capital Improvement and Cultural Affairs Refunding Bonds Series 2013D-1	118,353	106,285	1,158	4,058
Capital Improvement and Cultural Affairs Refunding Bonds Series 2013E	64,588	58,940	3,306	3,270
Natural Resources Refunding Bonds Series 2013F-1	15,116	13,595	591	604
Open Space, Parks, and Cultural Resources Refunding Bonds Series 2013G	4,033	3,715	251	238
Open Space, Parks, and Natural Resources Refunding Bonds Series 2013H-1	23,508	21,030	(569)	490
Special obligation bonds:				
Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds Series 2013	156,081	138,030	12,626	11,083
Total	<u>\$ 427,004</u>	<u>\$ 386,405</u>	<u>\$ 28,810</u>	<u>\$ 28,711</u>

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, 2013 is \$424,390,926.

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, 2013, include equipment with a historical cost of \$1,369,179

with accumulated depreciation of \$1,216,919 and building improvements of \$27,810,128 with accumulated depreciation of \$3,203,028.

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, 2013 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2014	\$ 2,859
2015	2,905
2016	2,983
2017	3,051
2018	3,157
2019-2023	13,940
2024-2028	3,325
Total minimum lease payments	32,220
Less: amount representing interest	(7,124)
Obligations under capital leases	<u>\$ 25,096</u>



(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 series 2009 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 2009 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, 2013 (expressed in thousands):

Year Ending June 30	Principal	Interest
2014	\$ 1,975	\$ 2,405
2015	2,150	2,314
2016	2,330	2,214
2017	2,530	2,107
2018	2,730	1,992
2019-2023	9,670	8,751
2024-2028	15,160	6,117
2029-2032	15,455	1,955
Total	\$ 52,000	\$ 27,855

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	\$174,399
Net assets available	189,851
Net assets as a percentage of tuition benefits obligation	108.86%

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

	Universities	Community Colleges
2014-15	0.00%	0.00%
2015-16	8.00%	8.00%
2016-17	8.00%	8.00%
2017-18	6.00%	6.00%
2018-19 and later	6.00%	6.00%

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, 2013, 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, 2013, there are seven series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$587,644,508. Excluded from this amount is \$197,700,000 in obligations of the Las Vegas Monorail Company that were extinguished, canceled and discharged as a result of a Chapter 11 bankruptcy reorganization plan that became effective on November 7, 2012.

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. On April 30, 2013 some of these bonds were refunded as discussed in Section E of this note. The outstanding balance as of June 30, 2013 is \$497,650,000. Total principal and interest remaining on the bonds is \$624,428,021 payable through December 2026. Upon completion of eligible projects, federal aid of \$324,955,527 is expected to be received in fiscal year 2014. For the current year, principal and interest paid was \$78,311,225, and total motor vehicle fuel and special fuel tax revenues were \$266,539,309.

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, 2013, 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 \$573,956,646 and \$13,240,284 respectively. The interest rate reset annually by the Department of the Treasury for calendar year 2013 is 2.58%. Current fiscal year advances and repayments totaled \$363,309,903 and \$509,785,575 respectively.

N. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2013, 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	\$ 483,941	\$ 150,620	\$ (187,173)	\$ 447,388	\$ 21,688
Issuance premiums	13,136	17,362	(4,977)	25,521	1,575
Total bonds payable	497,077	167,982	(192,150)	472,909	23,263
Obligations under capital leases	1,168	2,967	(890)	3,245	822
Compensated absences obligations	46,760	29,900	(29,933)	46,727	30,583
Total	<u>\$ 545,005</u>	<u>\$ 200,849</u>	<u>\$ (222,973)</u>	522,881	54,668
Discretely presented component units of the NSHE:					
Capital leases				141	141
Long-term debt				2,385	2,385
Total				<u>\$ 525,407</u>	<u>\$ 57,194</u>

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, 2013 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 23,263	\$ 20,008
2015	23,017	19,991
2016	22,764	19,091
2017	29,825	17,931
2018	19,940	16,947
2019-2023	100,335	71,427
2024-2028	86,328	49,993
2029-2033	93,220	29,886
2034-2038	63,894	9,515
2039-2043	10,323	797
Total	\$ 472,909	\$ 255,586

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):

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 912
2015	880
2016	747
2017	610
2018	304
Total minimum lease payments	3,453
Less: amount representing interest	(208)
Obligations under capital leases	\$ 3,245

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2013, and the changes for the year then ended, consist of the following (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 75,670	\$ 17,085	\$ (22,370)	\$ 70,385	\$ 3,975
Issuance premiums	2,620	1,727	(1,432)	2,915	660
Unamortized refunding charges	(3,319)	(10)	469	(2,860)	(359)
Total bonds payable	74,971	18,802	(23,333)	70,440	4,276
Compensated absences obligations	306	279	(236)	349	219
Total	\$ 75,277	\$ 19,081	\$ (23,569)	\$ 70,789	\$ 4,495

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,975	\$ 1,012
2015	4,150	829
2016	4,365	616
2017	7,500	2,587
2018	8,595	2,184
2019-2023	17,480	7,910
2024-2028	21,955	3,264
2029-2030	2,365	91
Total	\$ 70,385	\$ 18,493



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, 2013, there were 190 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. In general, however, fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. 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 through 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, 2013 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)

	2013	2012	2011
Primary Government	\$ 162,484	\$ 163,219	\$ 160,959
Component Units:			
Colorado River Commission	485	476	462
Nevada System of Higher Education	26,750	27,019	26,827
Total component units	<u>27,235</u>	<u>27,495</u>	<u>27,289</u>
Total reporting entity	<u>\$ 189,719</u>	<u>\$ 190,714</u>	<u>\$ 188,248</u>
Contributions as %			
of covered payroll	19%	19%	17%
Percentage of pension costs contributed	100%	100%	100%

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.

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 survivor 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

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 \$426,702 for fiscal years 2013 and 2014, 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 2013, of which \$213,351 (half) was recognized as employer contributions in the fiscal year 2013, and the other half will be recognized in fiscal year 2014. Employee contributions of \$53,543 were received in fiscal year 2013, of which, \$26,771 (half) was recorded as employee contributions in the fiscal year 2013, and the remaining \$26,772 will be recorded in fiscal year 2014.

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:

<i>Actuarial Cost Method:</i>	Entry age normal
<i>Amortization Method:</i>	Year-by-year closed, level dollar amount with each amortization period set at 20 years
<i>Asset Valuation Method:</i>	Five year smoothed market
<i>Actuarial Assumptions:</i>	
<i>Investment rate of return</i>	8%
<i>Assumed inflation rate</i>	3.5% per annum
<i>Projected salary increases</i>	None
<i>Assumed Retirement Age for Active Members:</i>	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
7/01/10	2011	\$ 182	\$ 182	100%	\$ -
7/01/10	2012	182	182	100%	-
6/30/12	2013	213	213	100%	-

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, 2013, 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%, 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 each year of service, up to a total maximum of 22 years, times the member’s compensation for their last year of service.



(Note 9 Continued)

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.

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.

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

Actuarial Information – Actuarial valuations of the JRS are prepared annually on a fiscal year basis. Significant actuarial assumptions used in the June 30, 2013 valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal														
<i>Amortization Method:</i>	Year-by-year closed, level percent of pay (3% payroll growth assumed) over a declining amortization period of: 30 years for Supreme Court justices and district judges 20 years for each non-state agency 5-year smoothed market														
<i>Asset Valuation Method:</i>															
<i>Actuarial Assumptions:</i>															
<i>Investment rate of return</i>	8%														
<i>Assumed inflation rate</i>	3.5% per annum														
<i>Assumed salary increases</i>	1 to 4 years of service increase of 3% per year 5 years of service increase of 8% per year 6 to 12 years of service increase of 4% per year 13 or more years of service increase of 3% per year														
<i>Assumed Retirement Rates:</i>	Retirement rates after completion of five years of service and attainment of the following ages:														
	<table border="1"> <thead> <tr> <th><u>Age</u></th> <th><u>Rate per Age</u></th> </tr> </thead> <tbody> <tr> <td>50—59</td> <td>5%</td> </tr> <tr> <td>60—61</td> <td>15%</td> </tr> <tr> <td>62—64</td> <td>17.5%</td> </tr> <tr> <td>65—67</td> <td>22.5%</td> </tr> <tr> <td>68—69</td> <td>25%</td> </tr> <tr> <td>70</td> <td>100%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Rate per Age</u>	50—59	5%	60—61	15%	62—64	17.5%	65—67	22.5%	68—69	25%	70	100%
<u>Age</u>	<u>Rate per Age</u>														
50—59	5%														
60—61	15%														
62—64	17.5%														
65—67	22.5%														
68—69	25%														
70	100%														
<i>Assumed Mortality Rate:</i>	RP-2000 Combined Healthy Mortality Table Projected to 2013 with scale AA, set back one year for females (no setback for males)														
<i>Assumed Post-Retirement Increases:</i>	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 preceding 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)

	2013	2012	2011
Annual required contribution	\$ 5,337	\$ 5,407	\$ 5,146
Interest on net pension obligation	-	13	(1)
Adjustment to annual required contribution	-	(38)	2
Annual pension cost	5,337	5,382	5,147
State contribution made	(5,606)	(5,546)	(4,972)
Increase (decrease) in net pension obligation	(269)	(164)	175
Net pension obligation (asset) at beginning of year	1	165	(10)
Net pension obligation (asset) at end of year	<u>\$ (268)</u>	<u>\$ 1</u>	<u>\$ 165</u>
Percentage of annual pension costs contributed	100%	100%	97%

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the JRS was 72% funded. The actuarial accrued liability for benefits was \$102.1 million, and the actuarial value of assets was \$73.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$28.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.2 million, and the ratio of the UAAL to the covered payroll was 164%.

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, 2012 through June 30, 2013 the rate assessed was 2.690% 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, June 30, 2012 or June 30, 2013. For the year ended June 30, 2013, the State and its component units contributed \$36,686,124 to the plan, which is 100% of the contractually required contribution. 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.



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, 2011	\$ 33,849	\$ 60,629
Claims and changes in estimates	185,271	19,659
Claim payments	<u>(176,132)</u>	<u>(16,539)</u>
Balance June 30, 2012	42,988	63,749
Claims and changes in estimates	188,785	17,898
Claim payments	<u>(186,882)</u>	<u>(15,008)</u>
Balance June 30, 2013	<u>\$ 44,891</u>	<u>\$ 66,639</u>
Due Within One Year	\$ 44,891	\$ 16,675

In accordance with GASB, a liability for claims is 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 Position.

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, 2013. 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 ten members, nine 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. Effective January 1, 2001, NSHE and PERS were excluded from coverage under this



(Note 10 Continued)

policy. Liabilities in the amount of \$52,926,426 as of June 30, 2013 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, 2013.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 through October 1, 2007, \$75,000 through October 1, 2011 and \$100,000 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. 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, 2013, 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 \$13,375,700 to \$51,773,300 has been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2013 total liabilities exceeded total assets by \$56,133,913. The Fund is liable for approximately \$56,000,000 as of June 30, 2013 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 Position

A. Net Position-Restricted by Enabling Legislation

The government-wide statement of net position reports \$1,301,659,533 of net position-restricted for the primary government, of which \$124,656,302 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, 2013, is shown below (expressed in thousands):



(Note 11 Continued)

	Major Governmental Funds						Total Governmental
	General	State Highway	Municipal Bond Bank	Consolidated Bond Interest and Redemption	Permanent School	Nonmajor Governmental Funds	
Fund balances:							
Nonspendable:							
Municipal securities	\$ -	\$ -	\$ 270,828	\$ -	\$ -	\$ -	\$ 270,828
Long term notes/loans receivable	12,465	-	-	-	-	-	12,465
Inventory	12,796	13,867	-	-	-	468	27,131
Advances	6,067	-	-	-	-	-	6,067
Prepaid items	1,784	153	-	-	-	6	1,943
Permanent fund principal	-	-	-	-	318,559	230	318,789
Restricted for:							
Special purpose agencies	121	-	-	-	-	-	121
Health and social services	2,181	-	-	-	-	15,746	17,927
Education and support services	145	-	-	-	-	2,078	2,223
Law, justice, and public safety	215	-	-	-	-	93,396	93,611
Regulation of business	4,457	-	-	-	-	5,806	10,263
Transportation	-	111,709	-	-	-	-	111,709
Recreation and resource development	52,240	-	-	-	-	18,499	70,739
Debt service	-	-	-	-	-	34,854	34,854
Capital projects	-	-	-	-	-	42,385	42,385
Committed to:							
Finance and administration	10,184	-	-	-	-	-	10,184
Commerce and Industry	11,289	-	-	-	-	-	11,289
Elected officials	9,460	-	-	-	-	-	9,460
Legislative-Judicial	41,433	-	-	-	-	-	41,433
Health and social services	39,283	-	-	-	-	50,522	89,805
Education and support services	4,028	-	-	-	-	18,705	22,733
Law, justice, and public safety	25,099	-	-	-	-	2,262	27,361
Regulation of business	32,509	-	-	-	-	4,920	37,429
Transportation	-	23,278	-	-	-	-	23,278
Recreation and resource development	59,165	-	-	-	-	11,749	70,914
Debt service	-	-	-	125,910	-	4,843	130,753
Capital projects	-	-	-	-	-	3,700	3,700
Fiscal emergency	112,798	-	-	-	-	-	112,798
Unassigned:	(66,701)	-	-	-	-	-	(66,701)
Total fund balances	<u>\$ 371,018</u>	<u>\$ 149,007</u>	<u>\$ 270,828</u>	<u>\$ 125,910</u>	<u>\$ 318,559</u>	<u>\$ 310,169</u>	<u>\$ 1,545,491</u>

C. Individual Fund Deficit

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 position of \$7,810,735 for the year ended June 30, 2013, resulting in negative net position of \$56,133,913 at June 30, 2013.

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 bal-

ance 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 \$85,000 for the calendar quarter, the tax is 1.17% of the amounts the wages exceed \$85,000. 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 through October 1, 2011 and \$100,000 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. 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 \$98.6 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

The Department of Taxation is litigating vigorously two lawsuits of like nature against utility companies. The lawsuits arise out of claims for the refund of \$143.0 million in use tax paid, plus interest, on coal purchased out of the state and used in Nevada. The companies claim the use tax is unconstitutional. One case is on appeal to the Nevada Supreme Court. The other is proceeding as a trial de novo in the 1st Judicial District Court. The use tax distribution is shared between the State, counties and local governments. The State’s exposure upon a potentially unfavorable outcome is \$41.5 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 November 15, 2027. 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 judgment action and a counterclaim requesting a judgment in favor of LBCB in the declaratory relief claim, and seeking other relief, including an award of damages against the State. The parties are discussing a settlement. 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 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 \$5.7 million. A motion for occupancy was set for December 6, 2013, and NDOT has agreed to deposit \$4.4 million once occupancy is granted. Trial is set for May 2014. There is a reasonable possibility of an unfavorable outcome for NDOT in the amount of \$11.0 million, before federal participation.

PERS - The Public Employees’ Retirement System (PERS) has entered into investment funding commitments related to private markets to fund an additional \$770.9 million at some future date.

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 Position. Primary government lease expense for the year ended June 30, 2013 amounted to \$36.1 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, 2013 (expressed in thousands):

For the Year Ending June 30	Amount
2014	\$ 23,876
2015	20,185
2016	14,614
2017	10,578
2018	5,974
2019-2023	12,804
2024-2028	3,303
2029-2033	527
Total	\$ 91,861



(Note 14 Continued)

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, 2013, 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. Rebateable arbitrage is computed as of each installment computation date. The present value of the rebateable arbitrage is \$1.0 million and has been recorded as a liability in the Statement of Net Position at June 30, 2013. Future calculations might result in different rebateable arbitrage amounts.

Encumbrances - As of June 30, 2013, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	<u>Amount</u>
General Fund	\$ 3,338
State Highway	2,557
Nonmajor governmental funds	230
Total	<u>\$ 6,125</u>

Construction Commitments - As of June 30, 2013, the Nevada Department of Transportation had total contractual commitments of approximately \$112.4 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total \$15.0 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) - As of June 30, 2013, 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 position, changes in net position 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, 2013.

The System receives Federal grants and awards, and amounts are subject to change based on outcomes of Federal audits. Management believes any changes made will not materially affect the net position, changes in net position or cash flows of the System.

The estimated cost to complete property authorized or under construction at June 30, 2013 is \$33.4 million. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents approved at its June 7, 2013 meeting the reimbursement of certain expenditures from proceeds of up to \$40 million of NSHE Universities Revenue bonds. It is anticipated that such bonds, which are subject to final approval by the Board, will be issued in the third quarter of fiscal year 2014.

The University of Nevada Reno sold the Fire Science Academy in Carlin, Nevada in fiscal year 2012. 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 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 amount of \$4.1 million was developed by the Senior Director for Facilities Maintenance Services in coordination with outside consultants. An obligation amount of \$3.0 million has been included in accounts payable for the year ended June 30, 2013.

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,



(Note 14 Continued)

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.

Nevada Capital Investment Corporation (NCIC) - The NCIC currently has commitments to the Silver State Opportunity

Fund of \$50.0 million (the First Tranche). As of June 30, 2013, the NCIC has fulfilled \$2.6 million of its total commitment. The NCIC has the right, but not the obligation, to increase its capital commitment by which would be effective after the end of the First Tranche (or such other date as the NCIC and Manager may agree). If the NCIC elects to make such an additional commitment, both the amount of the NCIC's additional commitment and an additional commitment from the Manager shall be established by agreement between the NCIC and the Manager (the Second Tranche).

Note 15 - Subsequent Events

A. Primary Government

Bonds – On October 29, 2013, the State issued \$548,900,000 in Unemployment Compensation Fund Special Revenue Bonds. The bonds were issued for purposes of (i) repaying advances made by the federal government to the State's Unemployment Compensation Fund, (ii) funding projected additional capital needs through April, 2014, (iii) funding a deposit into the Interest Account, and (iv) paying costs of issuance and related program costs. The full faith and credit of the State is not pledged for these bonds.

Certificates of Participation – On November 6, 2013, the State approved the issuance of Series 2013, Certificates of Participation. The Certificates relate to three projects. The first being the Capitol Complex Project where these Lease Revenue Refunding Certificates for \$17,740,000 will be issued to refund the outstanding balance of the State's Lease Revenue Certificates of Participation Series 2004. The second being the Casa Grande Project where these Lease Revenue Refunding Certificates for \$18,045,000 will be issued to refund the outstanding balance of the State's Lease Revenue Certificates of Participation Series 2004B. The final being the Nevada State College Project where these Lease Revenue Certificates for \$50,445,000 will be issued to finance a portion of its construction costs. Each Series evidences an undivided interest in the right to receive base rent under a separate lease purchase agreement to be paid by the State. The separate lease purchase agreement is with Nevada Real Property Corporation. The Certificates are not general obligations of the State.

Advances from the Federal Unemployment Account – On November 7, 2013, the State fully paid the advances with \$532.7 million from the Unemployment Compensation Fund Special Revenue Bonds, disclosed above. The State drew repayable advances of \$136.9 million and made voluntary repayments of \$710.9 million between July 1, 2012 and

November 7, 2013. The State has applied for and may still draw up to \$44.4 million to meet State unemployment insurance obligations through December 31, 2013. Thereafter loan requests may be submitted every 90 days.

Nevada Housing Division – On July 1, 2013, the Division closed program 1998 Capistrano Pines, which held total assets of \$7.9 million at June 30, 2013. On July 15, 2013, the Division closed program 2002 Oakmont at Reno, which held total assets of \$5.1 million at June 30, 2013. On August 1, 2013, the Division closed programs 1998 Casa Sorrento and 2011 College Villas, which held assets of \$8.9 million and \$12.2 million at June 30, 2013, respectively.

B. Discretely Presented Component Units

Nevada System of Higher Education – The Board of Regents approved at its September 6, 2013 meeting the reimbursement of certain expenditures from proceeds of up to \$85.0 million of State of Nevada general obligation bonds. It is anticipated that such bonds, which are subject to final approval by the Board and the State, will be issued in the fourth quarter of fiscal year 2014.

The Board of Regents approved at its September 6, 2013 meeting the form of a Lease-Purchase and related documents between the Nevada Real Property Corporation (the "Lessor") and the State of Nevada acting by and through NSHE (the "Lessee") whereby the Lessee would lease from the Lessor a not-to-exceed \$61.0 million project to be constructed on the principal campus of the Nevada State College. The State of Nevada issued Certificates of Participation in November 2013.

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Note 16 - Accounting Changes and Restatements

The Housing Division Fund, a major enterprise fund, restated its beginning net position from \$199.8 million to \$193.7 million. The decrease of \$6.1 million results from the decision to no longer present the Nevada Affordable Housing Assistance Corporation (NAHAC) as a discretely presented component unit of the fund. NAHAC was considered a component unit of the Nevada Housing Division because the Nevada Housing Division was financially accountable for NAHAC as it appointed a voting majority of NAHAC's governing body. In February 2013, due to changes in management at the Nevada Housing Division, and the make-up of the Board of NAHAC, the Housing Division determined that NAHAC no longer meets the requirements to present NAHAC as a discretely presented component unit of the Housing Division in accordance with Governmental Accounting Standards Board Statement 61, *The Financial Reporting Entity: Omnibus*.

Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

General Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget
Sources of Financial Resources				
Fund balances, July 1	\$ 676,068,945	\$ 676,068,945	\$ 676,068,945	\$ -
Revenues:				
Sales taxes	858,223,401	919,122,400	923,198,845	4,076,445
Gaming taxes, fees, licenses	862,038,608	845,798,204	855,847,765	10,049,561
Intergovernmental	2,119,724,551	2,461,495,065	2,108,359,482	(353,135,583)
Other taxes	1,286,162,359	1,345,088,752	1,369,269,999	24,181,247
Sales, charges for services	178,206,533	195,672,722	175,299,851	(20,372,871)
Licenses, fees and permits	592,804,763	592,500,977	570,138,757	(22,362,220)
Interest	14,793,255	9,793,392	1,671,465	(8,121,927)
Other	291,422,138	340,627,584	321,569,288	(19,058,296)
Other financing sources:				
Transfers	501,058,568	597,455,669	517,992,725	(79,462,944)
Reversions from other funds	-	-	2,067,219	2,067,219
Total sources	7,380,503,121	7,983,623,710	7,521,484,341	(462,139,369)
Uses of Financial Resources				
Expenditures and encumbrances:				
Elected officials	97,167,533	116,429,343	80,333,534	36,095,809
Legislative and judicial	139,299,437	156,632,135	87,218,938	69,413,197
Finance and administration	76,314,784	104,136,306	61,184,996	42,951,310
Education	2,595,023,066	2,771,195,420	2,548,624,218	222,571,202
Human services	3,172,276,134	3,335,615,789	3,117,757,785	217,858,004
Commerce and industry	299,350,704	331,791,184	250,206,187	81,584,997
Public safety	396,251,502	434,181,904	374,780,687	59,401,217
Infrastructure	289,074,711	337,534,477	157,761,436	179,773,041
Special purpose agencies	61,416,944	120,704,524	66,811,076	53,893,448
Other financing uses:				
Transfers to other funds	29,855,613	52,438,413	52,438,413	-
Reversions to other funds	-	-	1,266,142	(1,266,142)
Projected reversions	(42,500,000)	(133,474,855)	-	(133,474,855)
Total uses	7,113,530,428	7,627,184,640	6,798,383,412	828,801,228
Fund balances, June 30	\$ 266,972,693	\$ 356,439,070	\$ 723,100,929	\$ 366,661,859



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
\$133,997,683	\$ 133,997,683	\$ 133,997,683	\$ -	\$ 2,627	\$ 2,627	\$ 2,627	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
236,766,453	417,724,646	364,020,404	(53,704,242)	-	-	-	-
292,457,796	286,662,984	286,045,952	(617,032)	-	-	-	-
15,741,452	19,227,892	16,389,932	(2,837,960)	-	-	-	-
164,659,432	184,112,162	183,430,071	(682,091)	-	-	-	-
909,371	723,787	328,615	(395,172)	28,894,426	28,894,426	17,104,175	(11,790,251)
42,933,738	74,050,798	52,920,242	(21,130,556)	-	-	-	-
9,350,673	18,414,775	10,102,650	(8,312,125)	-	-	-	-
-	-	-	-	-	-	-	-
<u>896,816,598</u>	<u>1,134,914,727</u>	<u>1,047,235,549</u>	<u>(87,679,178)</u>	<u>28,897,053</u>	<u>28,897,053</u>	<u>17,106,802</u>	<u>(11,790,251)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
188,310,248	205,875,866	170,170,057	35,705,809	-	-	-	-
575,380,519	866,496,194	661,098,626	205,397,568	-	-	-	-
-	-	-	-	-	-	-	-
83,635,103	84,288,344	84,288,344	-	28,897,053	28,897,053	17,101,451	11,795,602
-	-	14,533	(14,533)	-	-	5,351	(5,351)
<u>(25,991,865)</u>	<u>(114,978,680)</u>	<u>-</u>	<u>(114,978,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>821,334,005</u>	<u>1,041,681,724</u>	<u>915,571,560</u>	<u>126,110,164</u>	<u>28,897,053</u>	<u>28,897,053</u>	<u>17,106,802</u>	<u>11,790,251</u>
<u>\$ 75,482,593</u>	<u>\$ 93,233,003</u>	<u>\$ 131,663,989</u>	<u>\$ 38,430,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Required Supplementary Information Budgetary Reporting



NEVADA

For the Fiscal Year Ended June 30, 2013

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 29 are reported instead of the amounts disclosed in the original budget. The August 29, 2013 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, 2013 budget as permitted by NRS 353.220.

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

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Fund balances (budgetary basis) June 30, 2013	\$ 723,101	\$ 131,664	\$ -
Adjustments:			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	6,264	176	-
Investments not recorded on the budgetary basis	10,102	-	270,875
Accrual of certain other receivables	172,402	4,817	1
Inventory	12,796	13,867	-
Advances to other funds	6,397	-	-
Accrual of certain accounts payable and other liabilities	(281,569)	-	-
Deferred revenues	(277,645)	-	-
Encumbrances	3,339	2,557	-
Other	(14,109)	(4,074)	(48)
<i>Perspective differences:</i>			
Special revenue fund reclassified to General Fund for GAAP purposes	9,941	-	-
Fund balances (GAAP basis) June 30, 2013	<u>\$ 371,019</u>	<u>\$ 149,007</u>	<u>\$ 270,828</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2013, 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)	\$ 723,101
Restricted funds	<u>(430,228)</u>
Unrestricted fund balance (budgetary basis)	<u>\$ 292,873</u>

Schedule of Funding Progress Pension Plans



NEVADA

For the Fiscal Year Ended June 30, 2013

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 - The most recent actuarial valuation, dated June 30, 2013, is based on June 30, 2013 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
06/30/11	\$ 88,035	\$ 56,614	\$ 31,421	64%	\$ 16,465	191%
06/30/12	93,133	63,934	29,199	69%	16,635	176%
06/30/13	102,125	73,887	28,238	72%	17,186	164%

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.

Schedule of Infrastructure Condition and Maintenance Data



NEVADA

For the Fiscal Year Ended June 30, 2013

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. However, the calendar year 2013 assessment is not available as of the date of this report. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The 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.

Condition Level of the Roadways					
Percentage of roadways with an IRI of less than 80					
	I	II	Category 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)					
	2013	2012	2011	2010	2009
Estimated	\$ 402,650	\$ 322,210	\$ 490,910	\$ 181,054	\$ 124,926
Actual	325,313	304,333	404,871	151,448	121,798

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.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise the State of Nevada's basic financial statements, and have issued our report thereon dated December 16, 2013. Our report includes a reference to other auditors who 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 – Investment Trust 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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

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

Kafoury, Armstrong & Co.

Reno, Nevada
December 16, 2013

Independent Auditor's Report on Compliance for Each Major Program; Report
on Internal Control over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

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 \$294,673,634 in federal awards that are not included in the State's Schedule of Expenditures of Federal Awards for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major Federal programs based on our audit of the types of compliance requirements referred to above. As described in our report dated December 16, 2013, portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Foster Care Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding CFDA 93.658 Foster Care and CFDA 93.658A ARRA – Foster Care as described in Finding 2013-028 for Eligibility. Compliance with such requirement is necessary, in our opinion, for the State to comply with the requirements applicable to the Foster Care and ARRA – Foster Care program.

Qualified Opinion on Foster Care Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Foster Care and ARRA – Foster Care program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures also disclosed other instances of noncompliance, 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 2013-001 through 2013-027 and 2013-029 through 2013-034. Our opinion on each major Federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2013-028 and 2013-031 to be material weaknesses.

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 Findings 2013-001 through 2013-027, 2013-029 through 2013-030, and 2013-032 through 2013-034 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 16, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kaufery, Armstrong & Co.

Reno, Nevada
March 14, 2014

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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				
Research Grants (Generic)	15.650	F10AC00919	\$ 43,476	\$ -
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	68,313	68,313
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2010	50,000	50,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2011	17,472	-
			<u>135,785</u>	<u>118,313</u>
			<u>179,261</u>	<u>118,313</u>
			<u>179,261</u>	<u>118,313</u>
Total Research and Development CLUSTER				
Total Department of the Interior				
Department of Transportation				
Research and Development CLUSTER				
Highway Planning and Construction - Research and Development	20.205R	SFY13	1,138,562	-
State Planning and Research	20.515	NV-80-0017-00	606,624	606,624
State Planning and Research	20.515	NV-80-X016-00	204,111	204,111
			<u>810,735</u>	<u>810,735</u>
			<u>1,949,297</u>	<u>810,735</u>
			<u>1,949,297</u>	<u>810,735</u>
Total Research and Development CLUSTER				
Total Department of Transportation				
Environmental Protection Agency				
Research and Development CLUSTER				
Regional Wetland Program Development Grants	66.461	CD-00T73101-0	159,235	-
			<u>159,235</u>	<u>-</u>
			<u>159,235</u>	<u>-</u>
Total Research and Development CLUSTER				
Total Environmental Protection Agency				
Department of Health and Human Services				
Research and Development CLUSTER				
Food and Drug Administration_Research	93.103	1U18FD004436-01	109,959	-
Food and Drug Administration_Research	93.103	7R13FD003966-04	8,799	-
			<u>118,758</u>	<u>-</u>
Primary Care Services_Resource Coordination and Development	93.130	5 U688HP11441-04-00	150,923	-
Primary Care Services_Resource Coordination and Development	93.130	5 U688HP11441-05-00	37,963	-
			<u>188,886</u>	<u>-</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	1VF1CE002225-01	113,863	71,800
Injury Prevention and Control Research and State and Community Based Programs	93.136	5VF1CE001137-05	148,302	43,863
			<u>262,165</u>	<u>115,663</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Child Support Enforcement Research	93.564	90FD013603	\$ 5,897	\$ -
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020199-19-01	1,978	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020199-20-01	350,025	6,950
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020199-21-02	84,574	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1XOCMS330782-01	54,378	23,329
			<u>490,955</u>	<u>30,279</u>
Total Research and Development CLUSTER			<u>1,066,661</u>	<u>145,942</u>
Total Department of Health and Human Services			<u>1,066,661</u>	<u>145,942</u>
Grand Total Research and Development CLUSTER			<u>3,354,454</u>	<u>1,074,990</u>
Department of Agriculture				
Child Nutrition CLUSTER				
School Breakfast Program	10.553	7NV300NV3	26,003,636	25,828,946
National School Lunch Program	10.555	7NV300NV3	85,451,291	85,171,974
National School Lunch Program	10.555	SFY13/X/994	9,348,592	9,329,100
			<u>94,799,883</u>	<u>94,501,074</u>
Special Milk Program for Children	10.556	7NV300NV3	18,973	18,973
Summer Food Service Program for Children	10.559	7NV300NV3	1,409,037	1,404,956
			<u>122,231,529</u>	<u>121,753,949</u>
Total Child Nutrition CLUSTER				
Food Distribution CLUSTER				
Commodity Supplemental Food Program	10.565	7NV810NV1	521,728	446,823
Commodity Supplemental Food Program	10.565	SFY13/X/994	1,888,042	1,888,042
			<u>2,409,770</u>	<u>2,334,865</u>
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	515,405	240,976
Emergency Food Assistance Program (Food Commodities)	10.569	SFY13/X/994	5,112,887	5,093,286
			<u>8,038,062</u>	<u>7,669,127</u>
Total Food Distribution CLUSTER				
Forest Service Schools and Roads CLUSTER				
Schools and Roads_ Grants to States	10.665	SFY 13	3,630,272	3,630,272
			<u>3,630,272</u>	<u>3,630,272</u>
Total Forest Service Schools and Roads CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
SNAP CLUSTER				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SFY 2013	\$ 532,490,225	\$ -
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4, 7NV4004NV 2012	5,911,973	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4, 7NV4004NV 2013	12,224,026	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV5	1,003,009	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV5 2013	172,226	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV420NVX 2012	177,931	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV420NVX 2013	435,455	-
			19,924,620	-
			552,414,845	-
			48,542	-
			510,594	510,594
			47,598,749	10,546,938
			7,205	-
			48,116,548	11,057,532
			7,023,350	6,498,224
			57,197	57,197
			7,080,547	6,555,421
			128,614	-
			294,742	-
			274,606	-
			569,348	-
			153,977	75,000
			188,595	160,230
			597,335	597,335
			290,367	14,080
			887,702	611,415
Total SNAP CLUSTER				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	11-9732-1721-CA		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	PROGRAM INCOME FY13		
Child and Adult Care Food Program	10.558	7NV300NV3		
Child and Adult Care Food Program	10.558	SFY13/X/994		
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2		
Food Distribution Program on Indian Reservations	10.567	7NV400NP4		
Food Distribution Program on Indian Reservations	10.567	SFY13/X/994		
Senior Farmers Market Nutrition Program	10.576	7NV810NV2		
AFRA - WIC Grants to States	10.578A	WIEB-09-NV-01		
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV2		
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310001		

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Fresh Fruit and Vegetable Program	10.582	7NV300NV1	\$ 2,274,903	\$ 2,241,036
Cooperative Forestry Assistance	10.664	08-DG-11046000-612	459,228	137,867
Cooperative Forestry Assistance	10.664	08-DG-11046000-618	43,540	-
Cooperative Forestry Assistance	10.664	09-DG-11046000-601	686,314	1,603
Cooperative Forestry Assistance	10.664	09-DG-11046000-607	724,795	97,477
Cooperative Forestry Assistance	10.664	10-DG-11046000-612	578,091	215,105
Cooperative Forestry Assistance	10.664	10-DG-11046000-631	163,900	-
Cooperative Forestry Assistance	10.664	11-DG-11046000-607	239,867	54,817
Cooperative Forestry Assistance	10.664	11-DG-11046000-616	81,910	-
Cooperative Forestry Assistance	10.664	12-DG-11046000-603	564,077	659
			3,541,722	507,528
Forest Legacy Program	10.676	10-DG-11046000-601	35,197	-
Forest Legacy Program	10.676	11-DG-11046000-624	565	-
			35,762	-
Forest Health Protection	10.680	09-DG-11046000-613	10,103	9,925
Forest Health Protection	10.680	10-DG-11046000-617	11,235	11,235
Forest Health Protection	10.680	12-DG-11046000-612	21,202	-
			42,540	21,160
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-032	31,503	31,503
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	10-DG-110482B1-024	167,238	25,052
			198,741	56,555
Lake Tahoe Erosion Control Grant Program	10.690	NDSL Section 108	79,516	-
			749,661,765	154,339,225
Total Department of Agriculture				
Department of Commerce				
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-HT-0015	600,623	595,543
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557A	32-41-B10528	237,592	237,592
			838,215	833,135
Total Department of Commerce				
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-11-2-1124	35,212	-
Procurement Technical Assistance for Business Firms	12.002	SP4800-12-2-1224	296,732	-
			331,944	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W912DY-12-2-0230	\$ 314,781	\$ -
Military Construction, National Guard	12.400	W9124X-08-2-2001	17,147,639	-
Military Construction, National Guard	12.400	W9124X-09-2-2001	8,621,805	-
Military Construction, National Guard	12.400	W9124X-10-2-2001	4,179	-
Military Construction, National Guard	12.400	W9124X-10-2-2003	12,357	-
Military Construction, National Guard	12.400	W9124X-11-2-2001	3,894,657	-
			29,680,637	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NNNN)	25,578	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001	3,250,963	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY11	1,997,720	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY12	2,791,190	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1002	435,140	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1003	2,092,487	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1004	190,885	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1005	1,365,468	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1010	56,027	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1021	1,039,437	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1023	457,370	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1024	1,622,993	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1040	63,624	-
			15,388,882	-
			45,716,244	-
Total Department of Defense				
Department of Housing and Urban Development				
CDBG_State Administered CDBG CLUSTER				
Community Development Block Grants/State's Program	14.228	B-08-MN-32-0001	1,037,772	1,037,187
Community Development Block Grants/State's Program	14.228	B-11-DC-32-0001	2,486,742	2,331,768
Community Development Block Grants/State's Program	14.228	B-11-DN-32-0001	1,657,191	1,651,539
Community Development Block Grants/State's Program	14.228	B-12-DC-32-0001	904,572	873,556
			6,086,277	5,894,050
Total CDBG_State Administered CDBG CLUSTER			6,086,277	5,894,050
Emergency Shelter Grants Program	14.231	E11-DC-32-0001	134,055	133,598
Emergency Shelter Grants Program	14.231	E12-DC-32-0001	292,796	291,553
			426,851	425,151

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Shelter Plus Care	14.238	NV0005C9T001104	\$ 1,171,986	\$ -
Shelter Plus Care	14.238	NV0005L9T001205	380,585	-
Shelter Plus Care	14.238	NV0023C9T021104	147,662	96,014
			1,700,233	96,014
HOME Investment Partnerships Program	14.239	M06-SG320100	236,191	236,191
HOME Investment Partnerships Program	14.239	M07-SG320100	80,801	-
HOME Investment Partnerships Program	14.239	M08-SG320100	642,049	456,876
HOME Investment Partnerships Program	14.239	M09-SG320100	641,505	641,505
HOME Investment Partnerships Program	14.239	M10-SG320100	701,370	701,370
HOME Investment Partnerships Program	14.239	M11-SG320100	33,998	33,998
HOME Investment Partnerships Program	14.239	M12-SG320100	54,000	54,000
			2,389,914	2,123,940
Housing Opportunities for Persons with AIDS	14.241	NVH10-F999	19,263	19,263
Housing Opportunities for Persons with AIDS	14.241	NVH12F999	254,480	254,480
			273,743	273,743
Total Department of Housing and Urban Development			10,877,018	8,812,898
Department of the Interior				
Fish and Wildlife CLUSTER				
Sport Fish Restoration	15.605	F-32-D	1,317,211	-
Sport Fish Restoration	15.605	F-38-D-2	700,000	-
Sport Fish Restoration	15.605	F-49-B-2	86,665	-
Sport Fish Restoration	15.605	F-50-B-1	90,411	-
Sport Fish Restoration	15.605	F-54-B-1	19,357	19,357
Sport Fish Restoration	15.605	F11AF01332	750,000	750,000
Sport Fish Restoration	15.605	F12AF00067	3,997	-
Sport Fish Restoration	15.605	F12AF00286	148,817	-
Sport Fish Restoration	15.605	F12AF00405	113,222	-
Sport Fish Restoration	15.605	F12AF00442	345,257	-
Sport Fish Restoration	15.605	F12AF00488	30,474	-
Sport Fish Restoration	15.605	F12AF00535	1,412,068	1,500
Sport Fish Restoration	15.605	F12AF00554	191,669	-
			5,209,148	770,857

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-	Through Number	Number	Expenditures	Payments to Subrecipients
Program Title					\$	\$
Wildlife Restoration	15.611	F11AF00994		15.611	443,008	40,480
Wildlife Restoration	15.611	F11AF00998		15.611	295,670	29,834
Wildlife Restoration	15.611	F11AF01236		15.611	11,479	-
Wildlife Restoration	15.611	F12AF00405		15.611	465,228	-
Wildlife Restoration	15.611	F12AF00488		15.611	38,107	-
Wildlife Restoration	15.611	F12AF00533		15.611	572,843	1,154
Wildlife Restoration	15.611	F12AF00538		15.611	157,936	-
Wildlife Restoration	15.611	F12AF00542		15.611	2,687,000	74,626
Wildlife Restoration	15.611	F12AF00554		15.611	900,464	-
Wildlife Restoration	15.611	F13AF00313		15.611	16,259	-
Wildlife Restoration	15.611	W-58-D		15.611	744,782	-
Total Fish and Wildlife CLUSTER					6,332,776	146,094
Cultural Resource Management	15.224	L10PC00472		15.224	4,045	-
Cultural Resource Management	15.224	L11AC20132		15.224	46,573	-
					50,618	-
Distribution of Receipts to State and Local Governments	15.227	SFY 13 Oil and Gas Lease Distribution		15.227	118,980	-
Distribution of Receipts to State and Local Governments	15.227	SFY 13 Taylor Grazing		15.227	240,435	240,435
					359,415	240,435
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC13237		15.228	283	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	L08AC13434		15.228	15,000	-
					15,283	-
Wild Horse and Burro Resource Management	15.229	L12AC20363		15.229	1,933,746	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L08AC13433		15.231	24,167	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20107		15.231	94	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20164		15.231	82,777	12,000
Fish, Wildlife and Plant Conservation Resource Management	15.231	L12AC20542		15.231	22,737	-
					129,775	12,000
Southern Nevada Public Land Management Act	15.235	07-BVP-01		15.235	306	-
Southern Nevada Public Land Management Act	15.235	L06AC13232		15.235	65,305	8,784
Southern Nevada Public Land Management Act	15.235	L09AC15293		15.235	2,301	-
Southern Nevada Public Land Management Act	15.235	L09AC15298		15.235	8,495	-
Southern Nevada Public Land Management Act	15.235	L09AC15428		15.235	57,784	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Southern Nevada Public Land Management Act	15.235	L10AC20022	\$ 45,958	\$ -
Southern Nevada Public Land Management Act	15.235	L10AC20023	208,074	-
Southern Nevada Public Land Management Act	15.235	L11AC20351	88,895	-
Southern Nevada Public Land Management Act	15.235	L12AC20360	3,878	-
Southern Nevada Public Land Management Act	15.235	L12AC20555	76,552	-
			557,548	8,784
Challenge Cost Share	15.238	L12AC20565	1,474	-
Minerals Leasing Act	15.437	SFY 13 Mineral Leases	8,506,223	-
Water Reclamation and Reuse Program	15.504	R11AP20513	188,573	-
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	R12AP20050	1,418	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	2010-0059-301	69,653	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R09AP20026	117,276	-
			186,929	-
Fish and Wildlife Coordination Act	15.517	R11AC30015	2,271	-
Recreation Resources Management	15.524	R10AC20076	250,000	-
Lower Colorado River Multi-Species Conservation Program	15.538	R12AP30003	72,758	-
Lower Colorado River Multi-Species Conservation Program	15.538	R12AP30004	39,940	-
			112,698	-
Fish and Wildlife Management Assistance	15.608	F07AC00144	60,750	-
Fish and Wildlife Management Assistance	15.608	F09AC00473	79,419	-
Fish and Wildlife Management Assistance	15.608	F10AC00874	867	-
Fish and Wildlife Management Assistance	15.608	F10AC00889	2,596	-
Fish and Wildlife Management Assistance	15.608	F11AC01241	15,956	-
Fish and Wildlife Management Assistance	15.608	F11AC01242	594	-
Fish and Wildlife Management Assistance	15.608	F12AP01236	16,044	-
			176,226	-
Cooperative Endangered Species Conservation Fund	15.615	E-18-R-2	90,815	-
Cooperative Endangered Species Conservation Fund	15.615	E-19-R-2	9,112	-
Cooperative Endangered Species Conservation Fund	15.615	E-20-R-2	6,516	-
Cooperative Endangered Species Conservation Fund	15.615	F10AP00756	10,725	-
Cooperative Endangered Species Conservation Fund	15.615	F11AP00844	36,272	-
Cooperative Endangered Species Conservation Fund	15.615	F12AP00321	18,623	9,377

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
Cooperative Endangered Species Conservation Fund	15.615	F12AP00805	\$ 120,255	\$ -
Cooperative Endangered Species Conservation Fund	15.615	F12AP00838	10,000	7,827
Cooperative Endangered Species Conservation Fund	15.615	F12AP00922	25,111	-
			327,429	17,204
Clean Vessel Act	15.616	F11AP01022	7,122	7,122
Clean Vessel Act	15.616	V-8-D-1	1,893	1,893
			9,015	9,015
Hunter Education and Safety Program	15.626	F12AF00533	80,000	-
Landowner Incentive	15.633	I-11-1	64,379	58,159
Landowner Incentive	15.633	I-2-4	104,943	94,162
Landowner Incentive	15.633	I-8-2	16,094	-
Landowner Incentive	15.633	I-9-2	58,108	13,606
			243,524	165,927
State Wildlife Grants	15.634	F11AF01236	42,453	28,514
State Wildlife Grants	15.634	F12AF00405	97,733	-
State Wildlife Grants	15.634	F12AF00488	7,391	-
State Wildlife Grants	15.634	F12AP00045	16,356	-
State Wildlife Grants	15.634	T-1-2	574,246	500
State Wildlife Grants	15.634	T-2-P-2	71,385	-
State Wildlife Grants	15.634	T-3-P-1	3,694	-
State Wildlife Grants	15.634	T-4-1	26,623	-
State Wildlife Grants	15.634	T-5-R-1	9,165	-
State Wildlife Grants	15.634	T-6-R-1	7,958	-
			857,004	29,014
Endangered Species Conservation - Recovery Implementation Funds	15.657	F11PX05464	2,337	-
Gap Analysis Program	15.811	G12AC20448	22,186	-
Historic Preservation Fund Grants-In-Aid	15.904	32-11-31935	97,500	97,500
Historic Preservation Fund Grants-In-Aid	15.904	32-12-41935	464,113	114,907
Historic Preservation Fund Grants-In-Aid	15.904	32-13-51935	202,498	-
			764,111	212,407

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Rivers, Trails and Conservation Assistance	15.921	H8360080017	\$ 43,352	-
Rivers, Trails and Conservation Assistance	15.921	H8420090625	51,322	-
			<u>94,674</u>	<u>-</u>
Total Department of the Interior			26,414,401	1,611,737
Department of Justice				
JAG Program CLUSTER				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0330	533,554	238,975
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DG-BX0019	465,183	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0105	156,722	47,182
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2508	379,313	212,034
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0508	1,529,286	1,374,688
			<u>3,064,058</u>	<u>1,872,879</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803A	09-ARRA-41	-	-
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803A	2009-SU-B9-0043	2,883,757	2,203,176
			<u>2,883,757</u>	<u>2,203,176</u>
Total JAG Program CLUSTER			5,947,815	4,076,055
Sexual Assault Services Formula Program	16.017	2010-KF-AX-0029	73,275	53,186
Sexual Assault Services Formula Program	16.017	2011-KF-AX-0054	111,923	106,344
Sexual Assault Services Formula Program	16.017	2012-KF-AX-0045	84,473	79,830
			<u>269,671</u>	<u>239,360</u>
Nevada Rural Collaborative Children Exposed to Violence Grant	16.020	2011-WX-AX-K004	137,018	126,886
Juvenile Accountability Incentive Block Grants	16.523	2011-JB-FX-0007	21,807	-
Juvenile Accountability Incentive Block Grants	16.523	2012-JB-FX-0007	187,400	187,400
			<u>209,207</u>	<u>187,400</u>
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2011-JF-FX-0013	103,713	4,750
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2012-JF-FX-0049	269,694	230,000
			<u>373,407</u>	<u>234,750</u>
Title V_Delinquency Prevention Program	16.548	2010-JP-FX-0004	11,372	11,372
Title V_Delinquency Prevention Program	16.548	2011-JP-FX-0016	27,601	26,128
			<u>38,973</u>	<u>37,500</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
National Criminal History Improvement Program (NCHIP)	16.554	2009-RU-BX-K011	\$ 26,003	\$ -
National Criminal History Improvement Program (NCHIP)	16.554	2012-RU-BX-K015	33,480	-
			59,483	-
Crime Victim Assistance	16.575	2011-VA-GX-0030	1,754,094	1,720,337
Crime Victim Assistance	16.575	2012-VA-GX-0044	2,038,629	1,990,484
			3,792,723	3,710,821
Crime Victim Compensation	16.576	2013-VC-GX-0035	2,054,000	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2008-DD-BX-0027	107,759	-
Crime Victim Assistance/Discretionary Grants	16.582	2012-VF-GX-K015	23,134	21,561
Violence Against Women Formula Grants	16.588	2010-WF-AX-0029	399,713	336,504
Violence Against Women Formula Grants	16.588	2011-WF-AX-0049	663,374	564,542
Violence Against Women Formula Grants	16.588	2012-WF-AX-0041	223,428	169,222
			1,286,515	1,070,268
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0010	169,048	36,860
Grants to Encourage Arrest Policies	16.590	2009-WE-AX-0010	166,969	13,807
Residential Substance Abuse Treatment for State Prisoners	16.593	2010-RT-BX-0061	59,782	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2011-RT-BX-0047	69,060	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2012-RT-BX-0029	149	-
			128,991	-
State Criminal Alien Assistance Program	16.606	2012-H3700-NV-AP	1,935,374	-
Bulletproof Vest Partnership Grant	16.607	2009-BOBX-09047483	441	441
Bulletproof Vest Partnership Grant	16.607	2010-BOBX-10052046	1,658	1,658
Bulletproof Vest Partnership Grant	16.607	2012-BOBX-120-62316	399	399
			2,498	2,498
Community Prosecution and Project Safe Neighborhoods	16.609	2011-GP-BX-0042	61,455	61,239
Public Safety Partnership and Community Policing Grants	16.710	2009-CSWX-0016	123,436	-
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0061	89,100	89,100
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0118	283,748	283,748
Enforcing Underage Drinking Laws Program	16.727	2011-AH-FX-0010	75,000	75,000
Enforcing Underage Drinking Laws Program	16.727	2012-AH-FX-K001	121,986	121,986
			569,834	569,834

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	2009-VN-CX-0014	\$ 138,557	\$ -
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2010-CD-BX-0013	16,779	16,525
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2011-CD-BX-0050	78,350	74,386
			<u>95,129</u>	<u>90,911</u>
Congressionally Recommended Awards	16.753	2009-DI-BX-0154	149,471	-
Congressionally Recommended Awards	16.753	2010-DD-BX-0721	53,266	-
			<u>202,737</u>	<u>-</u>
ARRA - Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810A	2009-SD-B9-0027	747,922	747,922
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-0035	264,811	-
NICS Act Record Improvement Program	16.813	2009-NS-BX-K060	144,672	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2012-RJ-BX-0042	56,573	-
Equitable Sharing Program	16.922	SFY 2013	477,903	-
			<u>19,585,614</u>	<u>11,227,672</u>
Total Department of Justice				
Department of Labor				
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-22076-11-55-A-32	390,245	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-23010-12-55-A-32	5,201,640	-
			<u>5,591,885</u>	<u>-</u>
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-19662-10-55-5-32	834,757	-
Local Veterans' Employment Representative Program	17.804	DV-19662-10-55-5-32	620,955	-
			<u>7,047,597</u>	<u>-</u>
Total Employment Service Cluster				
WIA Cluster				
WIA Adult Program	17.258	AA-20212-10-55-A-32	151,327	-
WIA Adult Program	17.258	AA-21414-11-55-A-32	3,188,551	2,811,283
WIA Adult Program	17.258	AA-22954-12-55-A-32	7,009,441	6,632,572
			<u>10,349,319</u>	<u>9,443,855</u>
WIA Youth Activities	17.259	AA-20212-10-55-A-32	68,275	-
WIA Youth Activities	17.259	AA-21414-11-55-A-32	5,542,142	5,223,415
WIA Youth Activities	17.259	AA-22954-12-55-A-32	5,126,253	4,671,011
			<u>10,736,670</u>	<u>9,894,426</u>

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FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
WIA Dislocated Worker Formula Grants	17.278	AA-20212-10-55-A-32	\$ 469,143	-
WIA Dislocated Worker Formula Grants	17.278	AA-21414-11-55-A-32	6,721,916	5,166,970
WIA Dislocated Worker Formula Grants	17.278	AA-22954-12-55-A-32	6,123,931	5,481,726
			<u>13,314,990</u>	<u>10,648,696</u>
Total WIA CLUSTER			34,400,979	29,986,977
Labor Force Statistics	17.002	LM-21480-12-75-J-32	299,269	-
Labor Force Statistics	17.002	LM-23062-13-75-J-32	764,222	-
			<u>1,063,491</u>	<u>-</u>
Compensation and Working Conditions	17.005	OS-21524-12-75-J-32	14,987	-
Compensation and Working Conditions	17.005	OS-23106-13-75-J-32	48,221	-
			<u>63,208</u>	<u>-</u>
Unemployment Insurance	17.225	UI Trust Fund	855,352,119	-
Unemployment Insurance	17.225	UI-19601-10-55-A-32	196,780	-
Unemployment Insurance	17.225	UI-21118-11-55-A-32	1,059,141	-
Unemployment Insurance	17.225	UI-22331-12-55-A-32	18,393,293	-
Unemployment Insurance	17.225	UI-23910-13-55-A-32	22,786,557	-
ARRA - Unemployment Insurance	17.225A	ARRA - Unemployment Insurance	1,070,644	-
			<u>898,858,534</u>	<u>-</u>
Senior Community Service Employment Program	17.235	AD-22893-12-55-A-32	472,321	458,151
Trade Adjustment Assistance	17.245	TA-19724-10-55-A-32	86,847	-
Trade Adjustment Assistance	17.245	TA-22669-12-55-A-32	348,246	-
			<u>435,093</u>	<u>-</u>
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-22076-11-55-A-32	92,360	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-23010-12-55-A-32	20,264	-
			<u>112,624</u>	<u>-</u>
Temporary Labor Certification for Foreign Workers	17.273	ES-22076-11-55-A-32	66,849	-
Temporary Labor Certification for Foreign Workers	17.273	ES-23010-12-55-A-32	13,737	-
			<u>80,586</u>	<u>-</u>
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	1,969,467	-
Reed Act Distribution	17.299	Reed Act Distribution	6,019,750	-
Occupational Safety and Health_State Program	17.503	SP-23685-SP3	1,443,100	-
Occupational Safety and Health_State Program	17.503	SP223661255F32	194,696	-
			<u>1,637,796</u>	<u>-</u>

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Consultation Agreements	17.504	CS-19382-C50	\$ 668,731	-
Consultation Agreements	17.504	CS-23648-CS3	585,700	-
			<u>1,254,431</u>	<u>-</u>
OSHA Data Initiative	17.505	DC-23731-DC3	745	-
OSHA Data Initiative	17.505	DC225751275F32	4,849	-
			<u>5,594</u>	<u>-</u>
Mine Health and Safety Grants	17.600	MS-23177-12-55-R-32	24,459	-
Mine Health and Safety Grants	17.600	MS-24405-13-55-R-32	83,326	-
			<u>107,785</u>	<u>-</u>
Transition Assistance Program	17.807	DV-19662-10-55-5-32	8,816	-
			<u>953,538,072</u>	<u>30,445,128</u>
Total Department of Labor			840,062	840,062
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Capital Investment Grants	20.500	NV-04-0008	840,062	840,062
			<u>840,062</u>	<u>840,062</u>
Total Federal Transit CLUSTER				
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	SFY13	341,264,802	42,524,046
ARRA - Highway Planning and Construction	20.205A	SFY13	363,364	35,325
			<u>341,628,166</u>	<u>42,559,371</u>
Recreational Trails Program	20.219	N RTP-007	103,400	103,400
Recreational Trails Program	20.219	N RTP-008	212,311	212,311
Recreational Trails Program	20.219	N RTP-009	59,595	55,118
Recreational Trails Program	20.219	N RTP-010	190,808	169,442
Recreational Trails Program	20.219	N RTP-011	345,365	345,365
Recreational Trails Program	20.219	N RTP-012	296,443	296,443
			<u>1,207,922</u>	<u>1,182,079</u>
			<u>342,836,088</u>	<u>43,741,450</u>
Total Highway Planning and Construction CLUSTER				
Highway Safety CLUSTER				
State and Community Highway Safety	20.600	NHTSA 402 FY12	936,681	781,759
State and Community Highway Safety	20.600	NHTSA 402 FY13	728,793	-
			<u>1,665,474</u>	<u>781,759</u>

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 410 FY09	\$ 554,401	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 410 FY10	972,388	511,429
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 410 FY11	325,641	-
			<u>1,852,430</u>	<u>511,429</u>
Occupant Protection Incentive Grants	20.602	NHTSA 405 FY11	68,595	-
Occupant Protection Incentive Grants	20.602	NHTSA 405 FY12	118,202	85,757
			<u>186,797</u>	<u>85,757</u>
Safety Belt Performance Grants	20.609	18X9204060NV13	456,871	214,198
State Traffic Safety Information System Improvement Grants	20.610	NHTSA 408 FY10	302,496	-
State Traffic Safety Information System Improvement Grants	20.610	NHTSA 408 FY11	233,258	137,969
			<u>535,754</u>	<u>137,969</u>
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010 FUNDS FY09	60,249	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010 FY10	75,719	-
			<u>135,968</u>	<u>-</u>
			<u>4,833,294</u>	<u>1,731,112</u>
Total Highway Safety Cluster				
Transit Services Programs Cluster				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-04-0006	51,748	51,748
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	5,982	5,982
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0035	1,480	1,480
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0036	16,855	16,855
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0037	266,500	256,079
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0038	246,759	235,733
			<u>589,324</u>	<u>567,877</u>
Job Access And Reverse Commute Program	20.516	NV-37-X015	4,995	4,995
			<u>594,319</u>	<u>572,872</u>
Total Transit Services Programs Cluster				
Airport Improvement Program	20.106	3-32-000-007	38,475	38,475
Airport Improvement Program	20.106	3-32-000-008	40,889	-
			<u>79,364</u>	<u>38,475</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Commercial Driver's License Program Improvement Grant	20.232	FM-CDL-0009-11-01-01	20.232	FM-CDL-0009-11-01-01	\$ 422,125	\$ -
Commercial Driver's License Program Improvement Grant	20.232	FM-CDL-0069-12-01-00	20.232	FM-CDL-0069-12-01-00	24,481	-
					446,606	-
Fuel Tax Evasion_Intergovernmental Enforcement Effort	20.240	TCP1-004	20.240	TCP1-004	2,741	-
High-Speed Rail Corridors and Intercity Passenger Rail Service	20.319	FR-HSR-0042-11-01-00	20.319	FR-HSR-0042-11-01-00	42,127	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	20.509	NV-18-X024	24,923	3,101
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	20.509	NV-18-X025	97,411	72,707
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X031	20.509	NV-18-X031	148,901	122,464
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X032	20.509	NV-18-X032	3,199,556	3,133,445
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X035	20.509	NV-18-X035	1,860,639	1,815,769
Formula Grants for Other Than Urbanized Areas	20.509	NV-86-X0001	20.509	NV-86-X0001	774,016	774,016
					6,105,446	5,921,502
Pipeline Safety	20.700	DTPH56-12-G-PHPG25	20.700	DTPH56-12-G-PHPG25	450,614	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0224-11-01-00	20.703	HM-HMP-0224-11-01-00	83,279	83,279
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0279-12-01-00	20.703	HM-HMP-0279-12-01-00	25,471	22,456
					108,750	105,735
State Damage Prevention Program Grants	20.720	DTPH56-12-G-PHPS17	20.720	DTPH56-12-G-PHPS17	31,313	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-12-G-PHPC17	20.721	DTPH56-12-G-PHPC17	30,000	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-13-G-PHPC17	20.721	DTPH56-13-G-PHPC17	10,216	-
					40,216	-
					356,410,940	52,951,208
Total Department of Transportation						
Department of Treasury						
National Foreclosure Mitigation Counseling Program	21.000	PL112-55:95X1350	21.000	PL112-55:95X1350	271,589	233,880
					271,589	233,880
Total Department of Treasury						
Equal Employment Opportunity Commission						
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	EECCN120109	30.002	EECCN120109	360,550	-
					360,550	-
Total Equal Employment Opportunity Commission						
General Services Administration						
Election Reform Payments	39.011	SFY 12	39.011	SFY 12	454,868	-
					454,868	-
Total General Services Administration						

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Partnership Agreements	45.025	12-6100-2058	\$ 680,501	\$ 406,223
Grants to States	45.310	LS-00-11-0029-11	276,014	51,372
Grants to States	45.310	LS-00-12-0029-12	1,331,360	475,437
Grants to States	45.310	LS-00-13-0029-13	2,500	2,500
			1,609,874	529,309
National Leadership Grants	45.312	LG-41-10-0022-10	4,103	-
			2,294,478	935,532
Total National Foundation on the Arts and the Humanities				
Department of Veterans Affairs				
State Cemetery Grants	64.203	FAI NV-08-10	3,746,492	-
State Cemetery Grants	64.203	FAI NV-10-14	969,563	-
			4,716,055	-
			4,716,055	-
Total Department of Veterans Affairs				
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-96963513-0	213,913	200,000
State Clean Diesel Grant Program	66.040	DS-96965801-3	340,659	340,659
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20611-0	117,708	9,166
Water Pollution Control_State and Interstate Program Support	66.419	I-00T56911-0	66,112	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933611-2	978,898	237,442
Water Pollution Control_State and Interstate Program Support	66.419	I-97933712-0	131,140	-
Water Pollution Control_State and Interstate Program Support	66.419	I-98972813-0	7,150	-
			1,301,008	246,608
State Public Water System Supervision	66.432	F-00910512-0	833,000	96,152
State Underground Water Source Protection	66.433	G-00945611-0	73,304	-
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements-Section 104(b)(3) of the Clean Water Act	66.436	X7-00T696601-0	20,652	-
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements-Section 104(b)(3) of the Clean Water Act	66.436	X7-T59601-0	173,243	-
			193,895	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Water Quality Management Planning	66.454	C6-97965911-0	\$ 10,739	\$ 10,739
Water Quality Management Planning	66.454	C6-97965912-0	23,223	23,223
Water Quality Management Planning	66.454	C6-97965913-0	79,782	19,781
			113,744	53,743
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-11	5,091,796	5,091,796
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000112-0	6,666,372	6,666,372
			11,758,168	11,758,168
Nonpoint Source Implementation Grants	66.460	C9-97908109	208,956	180,841
Nonpoint Source Implementation Grants	66.460	C9-97908110	241,455	189,924
Nonpoint Source Implementation Grants	66.460	C9-97908111-0	233,587	147,058
Nonpoint Source Implementation Grants	66.460	C9-97908112-0	570,923	96,225
Nonpoint Source Implementation Grants	66.460	C9-97908113	41,763	6,951
			1,296,684	620,999
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996010	2,602,967	1,987,601
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996011	2,574,020	1,397,742
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996012	141,986	141,986
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468A	2F-00T04909	822,835	822,835
			6,141,808	4,350,164
Performance Partnership Grants	66.605	BG-97958812-7	1,533,948	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83348201-4	9,797	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83387101-3	37,103	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83423201-3	29,983	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83466301	64,285	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83527701	3,818	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83606201-0	17,712	-
			162,698	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-00T43701-4	196,465	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-00T84801-0	16,949	-
			213,414	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-00T09601-4	\$ 462,997	\$ 254,721
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-00T09401-4	579,243	82,000
State and Tribal Response Program Grants	66.817	RP-00T84901	548,240	-
Total Environmental Protection Agency			25,766,723	18,003,214
Department of Energy				
State Energy Program	81.041	DE-EE0003761	256,725	11,381
State Energy Program	81.041	DE-EE0004471	2,272,232	1,957,868
ARRA - State Energy Program	81.041A	DE-EE-0000084	16,665	-
ARRA - State Energy Program	81.041A	Program Income: ARRA SEP Grant Revolving Loan Fund	1,021,908	-
			3,567,530	1,969,249
Weatherization Assistance for Low-Income Persons	81.042	DE-FG26-06R021683	593,243	524,370
Nuclear Waste Disposal Siting	81.065	Yucca Mtn FFY2006 Appropriation Act	1,180,443	-
Office of Environmental Waste Processing	81.104	DE-EM0001053	2,303,983	8,387
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13567	541,700	-
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13568	522,531	-
			3,368,214	8,387
Stewardship Science Grant Program	81.112	30-232-NV	32,033	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-EE0005697	753,212	581,043
State Energy Program Special Projects	81.119	DE-EE0005461	400,751	201,721
State Energy Program Special Projects	81.119	DE-EE0005668	136,846	76,465
			537,597	278,186
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122A	DE-OE0000068	175,353	-
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122A	DE-OE0000132	182,465	-
			357,818	-
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128A	DE-EE0000687	52,974	-
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	347,083	347,083
Total Department of Energy			10,790,147	3,708,318
Department of Education				

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FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 36,265	\$ 36,265
Education Technology State Grants	84.318	S318X100028	293,788	293,788
			330,053	330,053
			330,053	330,053
Total Educational Technology State Grants CLUSTER				
School Improvement Grants CLUSTER				
School Improvement Grants	84.377	S377A090029	2,697,010	2,048,219
School Improvement Grants	84.377	S377A100029	740,613	740,613
			3,437,623	2,788,832
			5,917,554	5,917,554
ARRA - School Improvement Grants, Recovery Act	84.388A	S388A090029	9,355,177	8,706,386
Total School Improvement Grants CLUSTER				
Special Education CLUSTER				
Special Education_Grants to States	84.027	H027A100043	903,221	-
Special Education_Grants to States	84.027	H027A110043	24,672,755	23,340,853
Special Education_Grants to States	84.027	H027A120043-12A	48,683,751	47,882,298
			74,259,727	71,223,151
Special Education_Preschool Grants	84.173	H173A100046	34,403	34,403
Special Education_Preschool Grants	84.173	H173A110046	1,466,915	1,046,509
Special Education_Preschool Grants	84.173	H173A120046	1,034,401	966,549
			2,535,719	2,047,461
			76,795,446	73,270,612
Total Special Education CLUSTER				
Statewide Data Systems CLUSTER				
Statewide Data Systems	84.372	R372A070010	118,921	118,921
			118,921	118,921
Total Statewide Data Systems CLUSTER				
Title I, Part A CLUSTER				
Title I Grants to Local Educational Agencies	84.010	S010A100028	116,330	116,330
Title I Grants to Local Educational Agencies	84.010	S010A110028	39,247,498	38,481,454
Title I Grants to Local Educational Agencies	84.010	S010A120028-12A	72,652,335	71,983,504
			112,016,163	110,581,288
			112,016,163	110,581,288
Total Title I, Part A CLUSTER				
Adult Education_State Grant Program	84.002	V002A120029	5,455,941	5,266,411
Migrant_Education_State Grant Program	84.011	S011A100028	92,647	38,316
Migrant_Education_State Grant Program	84.011	S011A120028	1,956	-
			94,603	38,316

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
Title I Program for Neglected and Delinquent Children	84.013	S013A100028	\$ 7,406	\$ 7,406
Title I Program for Neglected and Delinquent Children	84.013	S013A110028	168,879	167,280
Title I Program for Neglected and Delinquent Children	84.013	S013A120028-12A	130,412	42,580
			306,697	217,266
Career and Technical Education_Basic Grants to States	84.048	V048A100028	77,488	-
Career and Technical Education_Basic Grants to States	84.048	V048A110028	2,338,977	1,474,051
Career and Technical Education_Basic Grants to States	84.048	V048A120028-12A	7,600,377	7,418,837
			10,016,842	8,892,888
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A110041-11F	3,119,177	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A120041-12C	4,232,890	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A130041	10,346,618	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST12	166,658	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST13	188,837	-
			18,054,180	-
Migrant Education_Coordination Program	84.144	S144F100028	53,643	25,207
Migrant Education_Coordination Program	84.144	S144F110028	98,257	85,739
Migrant Education_Coordination Program	84.144	S144F120028	4,355	-
			156,255	110,946
Rehabilitation Services_Client Assistance Program	84.161	H161A120029-12B	31,051	-
Rehabilitation Services_Client Assistance Program	84.161	H161A130029-13A	13,612	-
			44,663	-
Independent Living State Grants	84.169	H169A120013-12A	76,872	45,361
Independent Living State Grants	84.169	H169A130013	211,518	110,938
			288,390	156,299
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B120028-12C	61,301	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B130028	186,117	-
			247,418	-
Special Education-Grants for Infants and Families	84.181	H181A110019	1,752,314	12,994
Special Education-Grants for Infants and Families	84.181	H181A120019	2,705,188	9,687
			4,457,502	22,681

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Byrd Honors Scholarships	84.185	P185A100030	\$ 730	\$ -
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A110042-11D	65,576	-
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A120042	198,367	-
			263,943	-
Education of Homeless Children and Youth	84.196	S196A100029	15,393	-
Education of Homeless Children and Youth	84.196	S196A110029	321,529	236,024
Education of Homeless Children and Youth	84.196	S196A120029	169,731	168,015
			506,653	404,039
Assistive Technology	84.224	H224A110028	170,304	161,075
Assistive Technology	84.224	H224A120028-12A	216,565	185,692
			386,869	346,767
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service	84.265	H265A100026-11	18,935	-
Twenty-First Century Community Learning Centers	84.287	S287C100028	209,550	97,397
Twenty-First Century Community Learning Centers	84.287	S287C110028	4,904,074	4,583,499
Twenty-First Century Community Learning Centers	84.287	S287C120028	299,721	299,721
			5,413,345	4,980,617
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A070024	281,371	209,818
Advanced Placement Program	84.330	S330B1100009	32,376	-
Advanced Placement Program	84.330	S330B120059	250,154	221,877
			282,530	221,877
Grants to States for Incarcerated Youth Offenders	84.331	Q331A080029	82,021	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	2,163,747	2,103,879
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S120028	1,460,805	1,199,571
			3,624,552	3,303,450
English Language Acquisition Grants	84.365	S365A100028	67,568	-
English Language Acquisition Grants	84.365	S365A110028	4,905,261	4,541,467
English Language Acquisition Grants	84.365	S365A120028	3,771,316	3,771,316
			8,744,145	8,312,783

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Mathematics and Science Partnerships	84.366	S366B100029	\$ 278,322	\$ 276,817
Mathematics and Science Partnerships	84.366	S366B110029	830,395	749,908
Mathematics and Science Partnerships	84.366	S366B120029	38,630	12,875
			<u>1,147,347</u>	<u>1,039,600</u>
Improving Teacher Quality State Grants	84.367	S367A100027	99,127	-
Improving Teacher Quality State Grants	84.367	S367A110027	5,142,765	4,883,835
Improving Teacher Quality State Grants	84.367	S367A120027-12A	9,604,232	9,524,847
			<u>14,846,124</u>	<u>14,408,682</u>
Grants for State Assessments and Related Activities	84.369	S369A110029	3,596,529	2,613,421
Grants for State Assessments and Related Activities	84.369	S369A120029	1,890,632	1,598,420
			<u>5,487,161</u>	<u>4,211,841</u>
Striving Readers	84.371	S371C110026	13,784,916	13,222,949
Striving Readers	84.371	S371C120026	3,193,007	2,964,212
			<u>16,977,923</u>	<u>16,187,161</u>
Education Jobs Fund	84.410	S410A100029	2,371,982	2,355,031
			<u>298,173,882</u>	<u>263,693,733</u>
Total Department of Education				
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	NAR10-RC-10090-10	25,414	8,939
			<u>25,414</u>	<u>8,939</u>
Total National Archives and Records Administration				
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	NV04RP01	762,778	-
			<u>762,778</u>	<u>-</u>
Total Election Assistance Commission				
Department of Health and Human Services				
Aging CLUSTER				
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	12AANVT3SP	2,145,884	2,007,298
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	13AANVT3SP	614,178	287,101
			<u>2,760,062</u>	<u>2,294,399</u>
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	12AANVT3SP	3,546,495	3,033,260
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	13AANVT3SP	1,026,061	682,659
			<u>4,572,556</u>	<u>3,715,919</u>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Nutrition Services Incentive Program	93.053	12AANVNSIP	\$ 402,018	\$ 402,018
Nutrition Services Incentive Program	93.053	13AANVNSIP	392,694	392,694
Nutrition Services Incentive Program	93.053	Food Commodities	118,513	118,513
			<u>913,225</u>	<u>913,225</u>
Total Aging CLUSTER			8,245,843	6,923,543
CCDF CLUSTER				
Child Care and Development Block Grant	93.575	G-1201NVCCDF	4,876,977	-
Child Care and Development Block Grant	93.575	G-1301NVCCDF	9,315,015	-
			<u>14,191,992</u>	<u>-</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1201NVCCDF	3,717,199	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1301NVCCDF	14,290,463	563,694
			<u>18,007,662</u>	<u>563,694</u>
Total CCDF CLUSTER			32,199,654	563,694
Medicaid CLUSTER				
State Medicaid Fraud Control Units	93.775	1201-NV-5050	278,653	278,653
State Medicaid Fraud Control Units	93.775	1301-NV-5050	1,176,444	1,176,444
			<u>1,455,097</u>	<u>1,455,097</u>
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1205-NV-5000	411,371	27,563
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1205-NV-5002	37,625	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1305-NV-5000	1,099,238	82,794
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-1305-NV-5002	71,919	-
			<u>1,620,153</u>	<u>110,357</u>
Medical Assistance Program	93.778	05-1205NV5ADM	7,946,050	-
Medical Assistance Program	93.778	05-1205NV5MAP	243,819,447	-
Medical Assistance Program	93.778	05-1305NV5ADM	57,726,569	-
Medical Assistance Program	93.778	05-1305NV5MAP	798,975,564	-
ARRA - Medical Assistance Program	93.778A	05-1205NVIMPL	58,702	-
ARRA - Medical Assistance Program	93.778A	05-1205NVINCT	7,283,950	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
ARRA - Medical Assistance Program	93.778A	05-1305NVIMPL	\$ 1,154,085	\$ -
ARRA - Medical Assistance Program	93.778A	05-1305NVINCT	12,896,397	-
			1,129,860,764	-
Total Medicaid CLUSTER			1,132,936,014	1,565,454
TANF CLUSTER				
Temporary Assistance for Needy Families	93.558	G-1202NVTANF	24,382,205	-
Temporary Assistance for Needy Families	93.558	G-1302NVTANF	20,176,365	-
			44,558,570	-
Total TANF CLUSTER			44,558,570	-
Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	12AANVT7SP	10,748	2,223
Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	13AANVT7SP	20,193	-
			30,941	2,223
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	12AANVT7SP	36,217	11,369
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	13AANVT7SP	74,588	423
			110,805	11,792
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	11AANVT3SP	48,444	-
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	12AANVT3SP	132,421	132,421
			180,865	132,421
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	9 OMP0174-02-00	12,798	-
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90DR0042/03	177,014	95,766
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90MP0032/01	120,182	65,849
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90MP0043/01	91,338	25,827
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90MP0118	100,920	49,038
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90MP0174/01	141,870	-
			644,122	236,480

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Alzheimer's Disease Demonstration Grants to States	93.051	90AE0333/01	\$ 318,120	\$ 306,816
National Family Caregiver Support	93.052	11AANVT3SP	37,605	37,605
National Family Caregiver Support	93.052	12AANVT3SP	1,095,922	1,006,058
National Family Caregiver Support	93.052	13AANVT3SP	147,289	147,289
			1,280,816	1,190,952
Public Health Emergency Preparedness	93.069	1U90TP000534-01	5,639,439	4,272,281
Public Health Emergency Preparedness	93.069	2U90TP916964-11	1,559,113	1,220,960
			7,198,552	5,493,241
Lifespan Respite Care Program	93.072	90LI005/01	66,078	23,727
Lifespan Respite Care Program	93.072	90LR0012/01	94,881	92,723
			160,959	116,450
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU001205	453,376	441,637
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU006001	68,077	64,015
			521,453	505,652
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	5ESREP100015-03-00	84,258	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1001NVPREP	45,676	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1101NVPREP	184,958	89,695
			230,634	89,695
Maternal and Child Health Federal Consolidated Programs	93.110	2 H18MC00032-19-00	33,360	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-20-00	40,077	-
Maternal and Child Health Federal Consolidated Programs	93.110	H25MC00229-09-00	151,146	59,870
			224,583	59,870
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-21	328,944	267,747
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-22	228,613	155,327
			557,557	423,074
Emergency Medical Services for Children	93.127	4 H33MC06694-06-03	296	-
Emergency Medical Services for Children	93.127	5 H33MC06694-07-00	115,224	-
Emergency Medical Services for Children	93.127	6 H33MC06694-08-00	2,284	-
			117,804	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-12	\$ 311,027	\$ 308,372
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060029-11	132,158	130,196
			443,185	438,568
Family Planning_Services	93.217	5 FPHPA091175-37-00	632,483	161,528
Abstinence Education Program	93.235	1101NVAEGP	136,208	41,111
Abstinence Education Program	93.235	1201NVAEGP	211,055	153,581
			347,263	194,692
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SP018665-01	283,604	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5HR1SM059986-02	109,543	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5HR1SM059986-03	43,022	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5U79SM059187	269,109	60,991
			705,278	60,991
Universal Newborn Hearing Screening	93.251	1 H61MC25010-01-00	167,077	36,465
Universal Newborn Hearing Screening	93.251	5 H61MC00096-10-00	82,189	-
			249,266	36,465
State Health Access Program	93.256	4 H2PHS16503-02-04	471,529	490,997
Immunization Grants	93.268	1H23IP000727-01	1,201,043	628,421
Immunization Grants	93.268	3H23IP000695-01S1	74,246	74,246
Immunization Grants	93.268	5H23IP922549-10	1,760,961	1,043,223
Immunization Grants	93.268	Direct Assistance	30,010,306	-
			33,046,556	1,745,890
Adult Viral Hepatitis Prevention and Control	93.270	1U51PS004092-01	49,602	37,703
Adult Viral Hepatitis Prevention and Control	93.270	5U51PS000874-05	27,992	13,248
			77,594	50,951
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50CK000257-01	350,593	150,459
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50OE000037-01	99,267	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58DP003929-01	685,683	149,225
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58SO000035-02	228,785	143,144
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 U58SO000035-03	58,346	-

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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	5U50CK000257-02	\$ 113,055	\$ -
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-04	4,171	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-05	259,888	259,912
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP001535-04	19,047	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP001535-05	377,854	24,782
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP002003	2,323,253	622,003
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP002054	491,880	267,278
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5UR3D000788-02	128,065	-
			5,139,887	1,616,803
State Partnership Grant Program to Improve Minority Health	93.296	6 STTMP101071-03-01	80,291	-
ARRA - State Primary Care Offices	93.414A	1 U6AHP16573-02-02	103,755	30,899
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	1 X02MC23117	653,501	146,712
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	X02MC19408-01-00	223,154	-
			876,655	146,712
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	1A1CMS330886-01-02	139,549	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	5U58CD001288-02	88,371	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	5U58CD001288-03	166,802	15,479
			257,173	15,479
Affordable Care Act (ACA) State Health Care Workforce Development Grants	93.509	6 P50HP20991-01-01	6,878	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	1 IPRPR100041-01-00	106,787	-
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	6 PRPPR120027-01-01	313,791	-
			420,578	-

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	10AANVMAA	\$ 12,495	\$ -
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	1 CAPCA120041-01-00	32,908	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	1 CAPCA120066-01-00	269,694	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	CAPCA110003-01-00	8,472	-
			311,074	-
Centers for Disease Control and Prevention - Affordable Care Act (ACA)-Communities Putting Prevention to Work	93.520	3U58DP002003-02S2	2,476	-
Centers for Disease Control and Prevention - Affordable Care Act (ACA)-Communities Putting Prevention to Work	93.520	3U58DP002003-02W1	87,530	86,857
			90,006	86,857
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50C1000900-02S2	543,678	410,625
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50C1000900-02S1	89,904	-
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	5U50C1000900-02	83,325	25,497
			716,907	436,122
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	1 HBEIE120129-01-00	11,793,363	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE110066	2,245,692	53,888
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE120110	12,832,486	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE120119	1,526,286	-
			28,397,827	53,888
The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	93.536	1B1CMS330879-01	134,882	-
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	1H23IP000573-01	288,500	288,500
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	3H23IP000573-01S1	511,855	272,823
			800,355	561,323

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	3U58DP002003	\$ 243,689	\$ 5,000
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	3U58DP002003-03W2	38,370	-
Promoting Safe and Stable Families	93.556	G-1101NVFPSS	282,059	5,000
Promoting Safe and Stable Families	93.556	G-1111NVFPCV	356,361	345,259
Promoting Safe and Stable Families	93.556	G-1201NVFPSS	63,926	50,892
Promoting Safe and Stable Families	93.556	G-1211NVFPCV	1,389,363	1,338,852
Child Support Enforcement	93.563	0904NV4004	1,870,541	1,795,894
Child Support Enforcement	93.563	1004NV4004	1,278,032	-
Child Support Enforcement	93.563	1204NV4005	1,257,400	512,457
Child Support Enforcement	93.563	1304NV4005	3,195,776	677,941
Low Income Home Energy Assistance	93.568	G-11B1NVLIEA	30,021,891	21,557,959
Low Income Home Energy Assistance	93.568	G-12B1NVLIEA	35,753,099	22,748,357
Low Income Home Energy Assistance	93.568	G-13B1NVLIEA	6,028	-
Community Services Block Grant	93.569	G-11B1NVCOSR	8,852,650	-
Community Services Block Grant	93.569	G-12B1NVCOSR	2,871,366	458,611
Community Services Block Grant	93.569	G-13B1NVCOSR	11,730,044	458,611
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0130/02	157,742	157,742
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0155/01	1,407,974	1,344,638
State Court Improvement Program	93.586	1101NVSCID	1,980,211	1,879,419
State Court Improvement Program	93.586	1101NVSCIP	3,545,927	3,381,799
State Court Improvement Program	93.586	1101NVSCIT	24,472	24,472
State Court Improvement Program	93.586	1201NVSCID	2,393	2,393
State Court Improvement Program	93.586	1201NVSCIP	26,865	26,865
State Court Improvement Program	93.586	1201NVSCIT	23,704	-
State Court Improvement Program	93.586	1201NVSCIP	44,671	-
State Court Improvement Program	93.586	1201NVSCIT	24,635	-
State Court Improvement Program	93.586	1201NVSCID	72,803	-
State Court Improvement Program	93.586	1201NVSCIP	74,162	-
State Court Improvement Program	93.586	1201NVSCIT	77,479	-
			317,454	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Community-Based Child Abuse Prevention Grants	93.590	G-1101NVFRPG	\$ 8,301	\$ 8,301
Community-Based Child Abuse Prevention Grants	93.590	G-1201NVFRPG	333,375	288,145
			341,676	296,446
Grants to States for Access and Visitation Programs	93.597	1101NVSAVP	29,573	-
Grants to States for Access and Visitation Programs	93.597	1201NVSAVP	65,827	-
			95,400	-
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1101NVCETV	52,447	51,749
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1201NVCETV	440,027	438,410
			492,474	490,159
Head Start	93.600	09CD001303	120,089	6,574
Adoption Incentive Payments	93.603	1001NVAIPP	89,270	66,244
Adoption Incentive Payments	93.603	1101NVAIPP	848,352	796,452
			937,622	862,696
Voting Access for Individuals with Disabilities_ Grants to States	93.617	G-0703NVVOTE	87,758	-
Voting Access for Individuals with Disabilities_ Grants to States	93.617	G-0803NVVOTE	66,396	-
			154,154	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-1101NVADBS	150,554	86,246
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-1201NVADBS	420,364	234,161
			570,918	320,407
Children's Justice Grants to States	93.643	G-1001NV/CJA1	49,885	35,438
Children's Justice Grants to States	93.643	G-1101NV/CJA1	87,779	33,124
			137,664	68,562
Child Welfare Services_State Grants	93.645	G-1201NV/1400	619,476	55,006
Child Welfare Services_State Grants	93.645	G-1301NV/CWSS	1,736,604	193,013
			2,356,080	248,019
Foster Care-Title IV-E	93.658	1201NV/1401	6,121,945	5,033,460
Foster Care-Title IV-E	93.658	1301NV/1401	31,477,517	25,141,416
ARRA - Foster Care-Title IV-E	93.658A	1201NV/1404	58,095	45,246
ARRA - Foster Care-Title IV-E	93.658A	1301NV/1404	45,577	38,784
			37,703,134	30,258,906

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Adoption Assistance-Title IV-E	93.659	1201NV1407	\$ 2,964,591	\$ 2,780,748
Adoption Assistance-Title IV-E	93.659	1301NV1407	18,314,266	16,847,946
ARRA - Adoption Assistance-Title IV-E	93.659A	1201NV1405	7,668	6,247
ARRA - Adoption Assistance-Title IV-E	93.659A	1301NV1405	6,349	5,807
			21,292,874	19,640,748
Social Services Block Grant	93.667	G-1201NV/SOSR	4,628,947	492,789
Social Services Block Grant	93.667	G-1301NV/SOSR	9,874,091	881,292
			14,503,038	1,374,081
Child Abuse and Neglect State Grants	93.669	G-0801NV/CA01	78,307	77,725
Child Abuse and Neglect State Grants	93.669	G-0901NV/CA01	163,920	60,091
			242,227	137,816
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1101NV/FVPS	112,391	111,960
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1201NV/FVPS	936,059	919,150
			1,048,450	1,031,110
Chafee Foster Care Independence Program	93.674	G-1101NV/1420	529,826	520,492
Chafee Foster Care Independence Program	93.674	G-1201NV/1420	919,020	878,056
			1,448,846	1,398,548
ARRA - Head Start	93.708A	90SC0018/01	142,973	-
ARRA - Immunization	93.712A	3H23IP922549-07S1	4,088	-
ARRA - State Grants to Promote Health Information Technology	93.719A	90HT0037/01	1,248,156	179,665
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723A	3U58DP002003-01S3	21,940	21,940
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724A	3U58DP002003-02W1	113,725	111,000
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.733	1H23IP000695-01	81,256	-
State Public Health Approaches for Ensuring QUILTINE Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	1U58DP004057-01	123,035	120,036
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed by 2012 Prevention and Public Health Funds (PPHF-2012)	93.744	1U58DP004118-01	233,669	214,352

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
PPHF-2012: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.745	3U58SO000035-02W1	\$ 84,800	\$ 80,000
Children's Insurance Program	93.767	05-1105NV5021	404,191	-
Children's Insurance Program	93.767	05-1205NV5021	26,020,928	-
Children's Insurance Program	93.767	05-1305NV5021	1,584,336	-
			28,009,455	-
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330822-01-02	581,876	134,957
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	05-1305-NV-5001	561,584	-
National Bioterrorism Hospital Preparedness Program	93.889	1U90TP000534-01	2,767,698	1,748,835
National Bioterrorism Hospital Preparedness Program	93.889	5 UREP090220-03	508,825	265,268
			3,276,523	2,014,103
HIV Care Formula Grants	93.917	2 X07HA00001-22-00	4,748,299	719,935
HIV Care Formula Grants	93.917	2 X07HA00001-23-00	864,654	301,153
HIV Care Formula Grants	93.917	2 X08HA19854-02-00	14,299	-
HIV Care Formula Grants	93.917	RYAN WHITE REBATES	5,474,949	684,021
			11,102,201	1,705,109
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1U58DP003929-01	2,359,059	1,786,904
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	5U87DP001227-04	29,850	-
HIV Prevention Activities_Health Department Based	93.940	1U62PS003654-01	1,325,377	1,033,969
HIV Prevention Activities_Health Department Based	93.940	5U62PS003654-02	1,011,641	813,579
HIV Prevention Activities_Health Department Based	93.940	5U62PS923483-07	75,895	76,163
			2,412,913	1,923,711
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1U62PS004024-01	94,172	-
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62PS001038	392,647	149,265
			486,819	149,265
Block Grants for Community Mental Health Services	93.958	3B09SM010039-12S3	3,373,636	235,512
Block Grants for Community Mental Health Services	93.958	Olmstead Grant	14,916	-
			3,388,552	235,512

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08T1010039-13	\$ 2,960,868	\$ 2,856,834
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08T1010039-11	98,431	26,544
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08T1010039-12	9,467,501	8,148,753
			12,526,800	11,032,131
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-04	374,789	318,787
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-05	227,023	192,602
			601,812	511,389
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-11	99,361	4,882
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-12	213,836	5,118
			313,197	10,000
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC21394-01-07	83,345	7,401
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC23393-01-06	1,517,221	212,716
			1,600,566	220,117
			1,507,338,500	128,750,311
Total Department of Health and Human Services				
Social Security Administration				
Disability Insurance/SSI CLUSTER				
Social Security_Disability Insurance	96.001	04-1204NVDI00	3,822,124	-
Social Security_Disability Insurance	96.001	04-1304NVDI00	11,474,200	-
			15,296,324	-
			15,296,324	-
			15,296,324	-
Total Disability Insurance/SSI CLUSTER				
Total Social Security Administration				
Department of Homeland Security				
Urban Area Security Initiative Non-Profit	97.008	2010-UA-TO-0001	2,862	-
Urban Area Security Initiative Non-Profit	97.008	EMW-2011UA-00026-S01	64,023	62,320
Urban Area Security Initiative Non-Profit	97.008	EMW-2012-UA-00040-S01	71,105	71,105
			137,990	133,425
Boating Safety Financial Assistance	97.012	3312FAS120132	560,315	2,000
Boating Safety Financial Assistance	97.012	3313FAS120132	823,981	4,000
			1,384,296	6,000

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2012-GR-1204	\$ 89,418	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006	885	884
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR	102	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	70,910	70,400
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3243-DR	2,374	2,374
			74,271	73,658
Hazard Mitigation Grant	97.039	FEMA-1629-DR	36,403	36,403
Hazard Mitigation Grant	97.039	FEMA-1738-DR	5,181	3,922
			41,584	40,325
National Dam Safety Program	97.041	EMW-2011-GR-00057-S01	63,097	-
National Dam Safety Program	97.041	EMW-2012-GR-00119-S01	21,087	-
			84,184	-
Emergency Management Performance Grants	97.042	2010-EP-EX-0033	7,988	2,621
Emergency Management Performance Grants	97.042	EMW-2011-EP-00054	683,841	73,521
Emergency Management Performance Grants	97.042	EMW-2012-EP-00024	3,137,206	2,018,806
			3,829,035	2,094,948
Cooperating Technical Partners	97.045	EMF-2010-GR-1016	47,953	47,952
Cooperating Technical Partners	97.045	EMF-2012-GR-1208	34,513	-
			82,466	47,952
Pre-Disaster Mitigation	97.047	EMF-2008-PC-0004	60,790	57,804
Emergency Operations Centers	97.052	2010-EO-MX-0012	443,584	417,118
Interoperable Emergency Communications	97.055	2008-IO-T8-0003	9,695	-
Interoperable Emergency Communications	97.055	2009-IP-T9-0022	185,372	176,664
Interoperable Emergency Communications	97.055	2010-IP-TO-0055	124,359	100,001
			319,426	276,665
Homeland Security Grant Program	97.067	2008-GE-T8-0030	2,360,546	2,260,279
Homeland Security Grant Program	97.067	2009-SS-T9-0009	4,144,742	3,714,273
Homeland Security Grant Program	97.067	2010-SS-TO-0007	6,324,198	5,336,652
Homeland Security Grant Program	97.067	EMW-2011-SS-00096	3,924,103	3,115,165
Homeland Security Grant Program	97.067	EMW-2012-SS-00146	515,364	292,031
			17,268,953	14,718,400

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Buffer Zone Protection Plan (BZPP)	97.078	2010-BF-T0-0003	\$ 859,288	\$ 750,531
Real ID Program	97.089	2010-DL-T0-0019-A	347,298	-
Real ID Program	97.089	EMW-2011-DL-00035-S01	57,679	-
			<u>404,977</u>	<u>-</u>
Total Department of Homeland Security			<u>25,080,262</u>	<u>18,616,826</u>
Total Federal Financial Assistance			<u>\$ 4,057,728,293</u>	<u>\$ 695,246,746</u>

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, 2013

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)
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 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

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 to pay benefits under the Federally approved State Unemployment Law. The following identifies the State and Federal portions of the expenditures reported:

State Benefits	\$454,687,871
Federal Benefits	400,664,248
Federal Funds – Grants	42,435,771
Federal Funds – ARRA	<u>1,070,644</u>
Total Reported	<u>\$898,858,534</u>

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

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 \$33,340,807.

6. 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.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unmodified opinion on the basic financial statements of the State of Nevada for the year ended June 30, 2013.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which were material to the financial statements of the State of Nevada.
4. Significant deficiencies, not identified as material weaknesses, and deficiencies 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 unmodified opinion for all major programs, except for the Foster Care program (CFDA 93.658 and CFDA 93.658A), which was a qualified opinion.
6. Audit findings relative to the major Federal award programs for the State of Nevada, which are required to be reported under Section .510(a) of 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

Supplemental Nutrition Assistance Program (SNAP) Cluster:

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

U.S. Department of Defense:

- National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401

U.S. Department of Interior:

- Minerals Leasing Act, CFDA 15.437

U.S. Department of Labor:

Workforce Investment Act (WIA) Cluster:

- WIA Adult Program, CFDA 17.258
- WIA Youth Activities, CFDA 17.259
- WIA Dislocated Worker Formula Grants, CFDA 17.278

Unemployment Insurance:

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

U.S. Environmental Protection Agency:

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

U.S. Department of Education:

School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
Improving Teacher Quality State Grants, CFDA 84.367
Striving Readers, CFDA 84.371

U.S. Department of Health and Human Services:

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
Temporary Assistance for Needy Families (TANF) Cluster:
Temporary Assistance for Needy Families, CFDA 93.558
State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges,
CFDA 93.525
Foster Care:
Foster Care-Title IV-E, CFDA 93.658
ARRA – Foster Care-Title IV-E, CFDA 93.658A
Adoption Assistance:
Adoption Assistance-Title IV-E, CFDA 93.659
ARRA –Adoption Assistance-Title IV-E, CFDA 93.659A
Social Services Block Grant, CFDA 93.667
Chafee Foster Care Independence Program, CFDA 93.674
Children's Health Insurance Program, CFDA 93.767
National Bioterrorism Hospital Preparedness Program, CFDA 93.889
Block Grants for Community Mental Health Services, CFDA 93.958
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959

U.S. Department of Homeland Security:

Homeland Security Grant Program, CFDA 97.067

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2013, was \$12,173,185.
9. The State of Nevada did not qualify as a low risk auditee for the year ended June 30, 2013 under the criteria set forth in Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

No findings related to the financial statements were reported.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

U.S. DEPARTMENT OF AGRICULTURE:

Finding 2013-001:

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 all 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 define 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 2013. The terms of this agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance, three day funding technique for the program listed above.

We planned to test a sample of the cash draws for compliance with the funding technique; however, the State was unable to provide the supporting documentation for the draws selected for testing. It was represented that the support for the draws had been maintained by an individual employee, and the documentation could not be located subsequent to the employee's termination. As a result, we were not able to determine that the Federal funds were being drawn in accordance with the prescribed funding technique.

Questioned Costs: None.

Effect: Noncompliance with the State of Nevada *Treasury State Agreement* may have occurred without being detected and an interest liability for the State could result.

Cause: The State did not have adequate safeguards and controls in place to ensure that documentation to support compliance with the cash management requirements was maintained.

Recommendation: We recommend the State enhance safeguards and controls to ensure that documentation to support compliance with the cash management requirements is maintained.

Management's Response: See management's response on pages 129 and 130.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF AGRICULTURE:

Finding 2013-002:

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: The *OMB Circular A-133 Compliance Supplement* 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 accounting records.

Condition and Context: The State agency that administers the Child Nutrition Cluster awards is required to submit quarterly and cumulative outlay information in the FNS-777 Financial Status Reports. The Nevada Department of Education administered the awards during fiscal year 2013.

During testing of the FNS-777 Financial Status Report, submitted for the quarter ended March 31, 2013, we noted that amounts reported as current quarter outlays actually represented the cumulative outlay amounts (for two Federal fiscal year quarters). When those amounts were added to the prior quarter outlays reported, the total cumulative Federal share of outlays was overstated by approximately \$6,168,500.

Questioned Costs: None.

Effect: Inaccurate current quarter and cumulative outlay information was reported to the Federal granting agency.

Cause: The Nevada Department of Education did not have adequate review procedures in place to ensure the quarterly FNS-777 Financial Status Reports were accurate and that amounts reported reconciled to the underlying accounting records.

Recommendation: We recommend the Nevada Department of Education enhance review procedures to ensure the quarterly FNS-777 Financial Status Reports are accurate and amounts reported are reconciled to the underlying accounting records.

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF AGRICULTURE:

Finding 2013-003:

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: The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

Condition and Context: As part of our audit procedures, we planned to test the subaward data entered into the FFATA Subaward Reporting System (FSRS), as we noted that the State entered into Child Nutrition Cluster agreements with more than 70 subrecipients during the year, many of whom received greater than \$25,000 in funding. It was noted that the required reporting for FFATA had not been performed.

Questioned Costs: None.

Effect: Subaward obligations were not reported in the FSRS and the State was not in compliance with the reporting requirements of FFATA.

Cause: The Nevada Department of Education, the State agency that administered the Child Nutrition Cluster during State fiscal year 2013, did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

Recommendation: We recommend the Nevada Department of Agriculture, the State agency that currently administers the Child Nutrition Cluster, implement controls and procedures to ensure compliance with FFATA reporting requirements.

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF AGRICULTURE:

Finding 2013-004:

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 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 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 accounting system, we noted that expenditures related to the Child Nutrition Cluster were not correctly reported to the Controller's Office. We found that no SARFs had been submitted for CFDA numbers 10.556 and 10.559, and that the SARFs submitted for CFDA numbers 10.553 and 10.555 reported Federal fiscal year expenditures rather than the State fiscal year expenditures.

Questioned Costs: None.

Effect: The amounts included on the SEFA under the Child Nutrition Cluster were understated by \$3,717,186, \$12,077,814, \$118,890 and \$1,409,037 for CFDA numbers 10.553, 10.555, 10.556 and 10.559, respectively; totaling \$17,322,927 for the Cluster.

Cause: The State did not have adequate controls in place to ensure all Federal expenditures were accurately reported to the Controller's Office for inclusion on the SEFA.

Recommendation: We recommend the State enhance controls and implement reconciliation procedures 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 131.

BRIAN SANDOVAL
Governor

STATE OF NEVADA

JAMES R. BARBEE
Director

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DEPARTMENT OF AGRICULTURE

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March 10, 2014

Ronna Bach, Division Director, Special Nutrition Programs
Western Regional Office, Food and Nutrition Service
90 Seventh Street, Suite 10-100
San Francisco, CA 94103-6707

Dear Ronna;

Kafoury, Armstrong and Company recently performed an annual single audit of the Child Nutrition Cluster, which included the following programs:

- School Breakfast Program, CFDA 10.553;
- National School Lunch Program, CFDA 10.555;
- Special Milk Program for Children, CFDA 10.556; and,
- Summer Food Service Program for Children, CFDA 10.559.

The scope of the audit was for state fiscal year 2013 which ended June 30, 2013. This audit resulted in four (4) findings. The following lists Kafourey Armstrong's findings and recommendations, and the Nevada Department of Agriculture response to and corrective action plan for each finding.

Finding 2013-001:

Finding: *Noncompliance with the State of Nevada Treasury State Agreement may have occurred without being detected and an interest liability for the State could result.*

Recommendation: *The State enhance safeguards and controls to ensure that documentation to support compliance with the cash management requirements is maintained.*

Nevada Department of Agriculture's Response: *The conditions surrounding this finding had to do with missing documentation from cash draws done by the Nevada Department of Education. This documentation could not be located by the Nevada Department of Agriculture at the time of the audit. We believe that during the transition of the Child Nutrition Cluster programs from the Department of Education to the Department of Agriculture the back-up documentation went*

Page 1 of 3

missing and believe this to be an anomaly for both Departments. Nevertheless, the Department does agree with this finding since testing could not be done to verify compliance.

Corrective Action for Finding 2013-001: The Nevada Department of Agriculture has always required that all cash draw be properly documented with detailed back-up and will continue to do so with the Child Nutrition Cluster programs. To avoid future mishaps with back-up documentation and the transitioning of employees, the Nevada Department of Agriculture will require that a copy of each draw and the accompanying back-up documentation be made and kept in a binder in the Fiscal Administrator's office.

Finding 2013-002:

Finding: Inaccurate current quarter and cumulative outlay information was reported to the Federal granting agency.

Recommendation: The Nevada Department of Agriculture enhance review procedures to ensure the quarterly FNS-777 Financial Status Reports are accurate and amounts reported are reconciled to the underlying accounting records.

Nevada Department of Agriculture's Response: The Nevada Department of Agriculture agrees with the finding that the Nevada Department of Education did not have adequate reviews and controls in place to ensure the quarterly FNS-777 were accurate and reconciled to the detail back-up information.

Corrective Action for Finding 2013-002: The Nevada Department of Agriculture had noticed reporting discrepancies very early on in the transitioning of the Children Nutrition programs and has taken steps to clean up these discrepancies and prevent future discrepancies. All FNS reports after being prepared have to be reviewed and signed off by a senior fiscal management position before they can be submitted. Currently, these are being reviewed and signed off by the Fiscal Administrator, but this responsibility will be moving to our Management Analyst III/Fiscal Operations Manager, with the Fiscal Administrator acting as back-up.

Finding 2013-003:

Finding: Subaward obligations were not reported in the FSRS and the State was not in compliance with reporting requirement of FFATA.

Recommendation: The Nevada Department of Agriculture implement controls and procedures to ensure compliance with FFATA reporting requirements.

Nevada Department of Agriculture's Response: The Nevada Department of Agriculture agrees with the finding that the Department of Education for state fiscal year 2013 did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

Corrective Action for Finding 2013-003: *The Nevada Department of Agriculture has permanently assigned a position to report subaward obligations in compliance with FFATA reporting requirements. All reports will also be reviewed by our Child Nutrition Federal Grant Coordinator to ensure accuracy of the reports after they are prepared and before they are submitted.*

Finding 2013-004:

Finding: *The amounts included on the SEFA under the Child Nutrition Cluster were understated by \$3,717,186, \$12,077,814, \$118,890 and \$1,409,037 for CFDA numbers 10.553, 10.555, 10.556, 10.559 respectively, totaling \$17,322, 927 for the Cluster.*

Recommendation: *The State enhance controls and implement reconciliation procedures to ensure all Federal expenditures are reported accurately to the Controller's office for inclusion on the SEFA.*

Nevada Department of Agriculture's Response: *Sometime in October, the Nevada Department of Agriculture was contacted by the Controller's office concerning missing SARF documents for the Child Nutrition programs. While fiscal management and reporting for FFY 2013 funds were the responsibility of the Department of Education, the Nevada Department of Agriculture did go ahead and prepare the SARF documents. Originally these were submitted incorrectly, but this was identified by the Controller's office and these were corrected to reflect FFY 2012 funds spent in SFY 2013 and FFY 2013 funds spent in SFY 2013. We believe this finding was due to the uniqueness of the transition and responsibilities for managing and reporting FFY 2013 funds not being followed through.*

Corrective Action for Finding 2013-004: *The Nevada Department of Agriculture will ensure that resources are in place and that time is made available to staff to make sure that SARF's are reported according to the Controller's office's deadlines.*

Sincerely,



J. Dale Hansen, Fiscal Administrator
Nevada Department of Agriculture

cc: Shannon Ryan, Deputy Legislative Auditor, LCB
Jim Barbee, Director, Nevada Department of Agriculture
Lynn Hettrick, Deputy Director, Nevada Department of Agriculture
Donnell Barton, Food and Nutrition Administrator, Nevada Department of Agriculture
Debbie Clark, Kafoury Armstrong & Co.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF AGRICULTURE:

Finding 2013-005:

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

<i>Grant Award Number:</i>	Affects all grant awards included under CFDA 10.557 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.
<i>Condition and Context:</i>	As part of our testing, we requested to view the subaward data entered into the FFATA Subaward Reporting System (FSRS) for the State's subrecipients, many of whom receive more than \$25,000 annually. It was noted that the required reporting for FFATA had not been performed. The program personnel represented that they were aware of the reporting requirements related to FFATA, but reporting was not performed consistently and timely.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subaward obligations were not reported in the FSRS and the State was not in compliance with the reporting requirements of FFATA.
<i>Cause:</i>	The Nevada Division of Public and Behavioral Health did not have adequate controls in place to ensure compliance with reporting requirements.
<i>Recommendation:</i>	We recommend the Nevada Division of Public and Behavioral Health enhance controls to ensure compliance with reporting requirements.
<i>Management's Response:</i>	See management's response on page 134.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF AGRICULTURE:

Finding 2013-006:

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

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

Criteria: 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 system, 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)).

Condition and Context: The Nevada Division of Public and Behavioral Health has divided the monitoring of subrecipients and performs separate programmatic (clinical operations and food delivery systems) and fiscal management system reviews.

As part of our audit procedures, we tested a sample of three subrecipients to verify that the Nevada Division of Public and Behavioral Health had conducted on-site programmatic and financial management system reviews within the past two years. We noted that the Nevada Division of Public and Behavioral Health had performed a programmatic review within the most recent two year period for the three subrecipients. However, on-site financial management system reviews had not been conducted within the required timeframe for two of the three subrecipients tested. In addition, we examined the State's WIC Local Agency Financial Review Schedule and noted that as of June 30, 2013, financial management system on-site reviews had not been performed within the previous two years for ten of 16 subrecipients.

Questioned Costs: None.

Effect: Noncompliance at the subrecipient level may occur and not be detected by the State.

Cause: The Nevada Division of Public and Behavioral Health did not have adequate controls in place to ensure on-site financial management system reviews were conducted at least once every two years for each subrecipient.

Recommendation: We recommend the Nevada Division of Public and Behavioral Health enhance controls to ensure on-site financial management system reviews are conducted at least once every two years for each subrecipient.

Management's Response: See management's response on page 135.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
Chief Medical Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH**

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March 3, 2014

Mr. Emerick Konno
Section Chief
FNS Western Regional Office
Food and Nutrition Service
90 Seventh Street
Suite 10-100
San Francisco, CA. 94103

Dear Mr. Konno,

Kafoury, Armstrong & Company, CPAs performed an annual single audit of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), CFDA 10.557, active during the State of Nevada's fiscal year 2013 which ended June 30, 2013. Kafoury, Armstrong's findings 2013-005 and 2013-006 concern the Special Supplemental Nutrition Program for Women, Infants and Children program.

Finding 2013-005 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health enhance controls to ensure compliance with reporting requirements.

Nevada Division of Public and Behavioral Health response:

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

Corrective Action for Finding 2013-005

A policy will be developed to ensure that the reporting of subawards that are greater than or equal to \$25,000 annually are made according to the Federal Funding Accountability and Transparency Act (FFATA). This policy will describe the procedures, roles and internal controls necessary to ensure proper subaward reporting. A management analyst will be placed in charge of reporting subaward usage through the FFATA Subaward Reporting System (FSRS). A program officer will maintain a tracking log that will monitor compliance requirements and report updated status to the management analyst no less than every month. An administrative services officer will oversee the subaward reporting with reports no less than one each quarter. WIC Program Manager Michelle Walker will be responsible for this policy, which will be implemented no later than July 1, 2014.

Mr. Konno
Page 2 of 2
March 3, 2014

Finding 2013-006 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health enhance controls to ensure on-site financial management system reviews are conducted at least once every two years for each sub recipient.

Nevada Division of Public and Behavioral Health response:

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

Corrective Action for Finding 2013-006

The Nevada Division of Public and Behavioral Health will revise its procedures to ensure that financial management system reviews are conducted at least once every two years for each subrecipient. These revised procedures will include provisions that will ensure system reviews will continue to be conducted in the event of position vacancies, including the option to hire contract workers. All subrecipient reviews will be current by December 31, 2014. WIC Program Manager Michelle Walker will be responsible for these revisions, which will be implemented by April 30, 2014.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or mwine@health.nv.gov.

Sincerely,



Richard Whitley
Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Company
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
Mark Winebarger, ASO IV, Division of Public and Behavioral Health
Michelle Walker, Program Manager, Division of Public and Behavioral Health
Amber Law, ASO III, Division of Public and Behavioral Health

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF INTERIOR:

Finding 2013-007:

Minerals Leasing Act, CFDA 15.437

Grant Award Number: Affects the grant award included under CFDA 15.437 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 by agencies 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 where expenditures related to the Minerals Leasing Act program were not correctly reported to the Controller's Office. As a result, expenditures of \$7,406,301 were reported on the SEFA under CFDA 15.228, rather than CFDA 15.437. In addition, \$1,099,922 of funds received under CFDA 15.437 had not been included on the SEFA.

Questioned Costs: None.

Effect: The amounts included on the SEFA for the Minerals Leasing Act were reported with the incorrect CFDA number and the expenditures were understated by \$1,099,922.

Cause: The State did not have adequate controls and reconciliation procedures to ensure Federal expenditures were reported under the correct CFDA number and all amounts were included on the SEFA.

Recommendation: We recommend the State enhance controls and reconciliation procedures to ensure Federal expenditures are reported under the correct CFDA number and all amounts are included on the SEFA.

Management's Response: See management's response on pages 137 and 138.

BRIAN SANDOVAL
Governor

STATE OF NEVADA

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Superintendent of Public Instruction



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March 07, 2014

Joseph Muniz
ONRR
Accounts Payable Team Supervisor
joseph.muniz@onrr.gov
303 231-3103

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Mineral Leasing act program funds, CFDA's 15.227 & 15.437, received by the State Treasurer's office and the Nevada Department of Education for the year ended June 30, 2013. Kafoury, Armstrong's finding 13-007 concerns this program.

Finding 13-007 resulted in the following recommendations:

We recommend the State Treasurer's office and the Nevada Department of Education enhance controls and reconciliation procedures to ensure Federal expenditures are reported under the correct CFDA number, and all amounts are included on the SEFA.

Nevada Department of Education response:

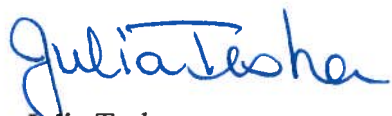
The Nevada Department of Education and State Treasurer's office accepts the finding and will implement procedures to ensure all Mineral Act funds are properly coded and reported on the SEFA.

Corrective Action:

The Departments have implemented controls and reconciliation procedures to properly record and report funds received under CFDA number 15.437 and CFDA 15.227.

If you have any question, please contact Robert Pawley, Administrative Services Officer III at (775)-687-9234 or email at rpawley@doe.nv.gov, or Budd Milazzo at (775)-684-5884 or email at bmilazzo@nevadatreasurer.gov.

Sincerely,



Julia Teska

Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Dale Erquiaga, Superintendent of Public Instruction, Nevada Department of Education
Steve Canavero, Deputy Superintendent
Julia Teska, Deputy Superintendent
Robert Pawley, Administrative Services Officer III
Budd Milazzo, Deputy State Treasurer-Cash Management

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF LABOR:

Finding 2013-008:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Grant Award Number: Potentially affects all awards included under CFDA 17.225 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 Occupational Code source and Summary of Investigation.

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 40 completed BAM cases were examined to ensure that all required documentation was included. For one case, documentation to satisfy the Occupational Code source requirement was not included in the file. For another case, support to satisfy the Summary of Investigation documentation requirement was not included in the file.

Questioned Costs: None.

Effect: The State was not in compliance with the minimum documentation requirements for BAM investigations.

Cause: Established procedures were not followed and adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure all required documents were obtained and included in the BAM investigation case files.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation follow established procedures and enhance controls to ensure that all required documents are obtained and included in the BAM investigation case files.

Management's Response: See management's response on page 149.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF LABOR:

Finding 2013-009:

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 special report, the ETA 2208A (UI3) Quarterly UI Contingency Report for Regular and Trade Claims activities, which is a report of staff years worked and paid by program category, such as Claims Activities or Employer Activities. The *OMB Circular A-133 Compliance Supplement* identifies key line items in Section A of that report, including the line for Employer Activities.

During testing of the report submitted for the quarter ended March 31, 2013 for Regular Claims Activity, we noted that the counts reported for staff years worked on Line 2, Employer Activities, did not agree to the underlying position activity records. This caused Line 7, the Total Staff Years, a summary line, to be incorrect as well.

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 controls in place to ensure that staff years worked information included on the ETA 2208A (UI3) Quarterly UI Contingency Report reconciled to the underlying position activity records.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the controls and review procedures to ensure that staff years worked information included on the ETA 2208A (UI3) Quarterly UI Contingency Report reconciles to the underlying position activity records.

Management's Response: See management's response on page 149.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF LABOR:

Finding 2013-010:

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Grant Award Number: Potentially affects UI Trust Fund expenditures included under CFDA 17.225 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 that amounts reported to the Controller's Office as Unemployment Insurance benefit payments were not correct. The amounts reported included amounts related to Reed Act funding, which is a separate Federal program, as well as Federal Unemployment Account loan repayments.

Questioned Costs: None.

Effect: The amounts included on the SEFA as Unemployment Insurance benefit payments were overstated by approximately \$468,458,000.

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

Management's Response: See management's response on page 150.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF LABOR:

Finding 2013-011:

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258

WIA Youth Activities, CFDA 17.259

WIA Dislocated Workers, CFDA 17.278

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

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

Condition and Context: As part of our audit procedures, we tested a sample of two first-tier subawards funded under the Federal Assistance Identification Number (FAIN) AA-22954-12-55-A-32. For one subaward in the amount of \$679,465, dated January 8, 2013, the obligation information was not reported in the Funding Accountability and Transparency Subaward Reporting System (FSRS).

For the other subaward of \$2,311,691, which was awarded in August 2012, we noted that the information reported in FSRS for the key data elements *Subaward Obligation/Action Date*, and *Subaward Number* were not correct. In addition, the subaward data was reported in FSRS on November 26, 2012, although the reporting was required to be completed on or before September 30, 2012.

Questioned Costs: None.

Effect: The State was not in compliance with the reporting requirements of FFATA.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate controls in place to ensure compliance with FFATA reporting requirements.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls to ensure compliance with FFATA reporting requirements.

Management's Response: See management's response on page 150.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF LABOR:

Finding 2013-012:

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258

WIA Youth Activities, CFDA 17.259

WIA Dislocated Worker Formula Grants, CFDA 17.278

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258, 17.259 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 individual information for *other reasons for exit*, employment and job retention data for *employment after exit quarter*, and wage record data for *quarters prior to participation* and *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 five cases, we noted individual information, specifically for *other reasons for exit*, did not agree to the underlying records. The participants were reported as exited for reasons other than one of the conditions listed, when in fact, this information did not apply as the participants had not yet exited.

In two cases, we noted employment earnings, specifically for *quarters following exit*, did not agree to the underlying records. For one, the participant wage record data was doubled, and for the other, applicable wages were not included in the data.

In one case, we noted employment earnings, specifically earnings for *quarters prior to participation* and *quarters following exit*, did not agree to the underlying records. Applicable wages were not included in the data.

Our sample included participants with earnings in states other than Nevada. In one of those cases, we noted wage amounts included in WIASRD, specifically earnings for *quarters prior to participation* and *quarters following exit*, did not agree to the underlying records. For participants with earnings in States other than Nevada, wage amounts are obtained from the Wage Record Interchange System (WRIS) to include in WIASRD. The applicable WRIS wages were not included in the data reported. In addition, due to this omission, the employment outcome reported for *employment after exit quarter* was inaccurate.

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 individual, 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 individual, employment and wage information.

Management's Response:

See management's response on pages 151 and 152.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF LABOR:

Finding 2013-013:

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

Grant Award Number: Potentially affects all grant awards included under CFDA 17.258, 17.259 and 17.278 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 Department of Employment, Training and Rehabilitation did not issue a management decision for its subrecipients' audit findings or ensure timely and appropriate corrective actions were taken.

As part of our audit procedures, we tested the two subrecipients to verify that the Nevada Department of Employment, Training and Rehabilitation 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 WIA Cluster audit findings and that the Nevada Department of Employment, Training and Rehabilitation 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 Department of Employment, Training and Rehabilitation does not issue timely management decisions and monitor the corrective action plan.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure timely management decisions were issued, when required, and to ensure the corrective action plan was monitored.

Recommendation:

We recommend the Nevada Department of Employment, Training and Rehabilitation enhance procedures to ensure timely management decisions are issued, when required, and to ensure the corrective action plan is monitored.

Management's Response:

See management's response on page 152.

BRIAN SANDOVAL
GOVERNOR



FRANK R. WOODBECK
DIRECTOR

March 7, 2014

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

Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2013 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, 2013. The audit findings pertain to the Federal Grants /Programs as listed below:

Findings 2013-08 thru 2013-011 – Unemployment Insurance (UI)

- CFDA 17.225
- ARRA CFDA 17.225A

Findings 2013-012 thru 2013-013 – Workforce Investment Act (WIA) Cluster

- CFDA 17.258
- CFDA 17.259
- CFDA 17.260
- CFDA 17.278

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 Employment Security Division (ESD) Administrator, Renee Olson, at (775) 684-3909 if you need further assistance.

Sincerely,

Frank R. Woodbeck
DETR Director

cc: Denise Dombek, Nevada Liaison , DOL/ETA – Region 6
Dennis Perea, DETR Deputy Director
Renee Olson, DETR Administrator, ESD
Mark Costa, DETR 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, 2013**

**U.S. Department of Labor
Unemployment Insurance (UI)
ARRA – Unemployment Insurance**

**CFDA 17.225, 17.225A
ARRA-CFDA 17.225A**

Finding 2013-08

As part of the testing over the Benefit Accuracy Measurement (BAM) program, we tested compliance with the requirements relating to the investigative process and data collection and maintenance. For one case, documentation to satisfy the Occupational Code source requirement was not included in the file. For another case, support to satisfy the Summary of Investigation documentation requirement was not included in the file.

Recommendation

We recommend that the Nevada Department of Employment, Training and Rehabilitation (DETR) follow established procedures and enhance controls to ensure all required documents are obtained and included in the BAM investigation case files.

Nevada DETR's Response

Review of the cited cases confirmed the missing elements. As a result of these findings, BAM has developed and instituted a checklist to ensure all required components of the investigation are included in the file. Additionally, and implemented shortly after the Division's new system, UInv, was implemented in September, all files, in their entirety must be provided to a BAM supervisor to review. Previously, the investigators operating out of Carson City provided only those elements not verifiable within the GUIDE/UInv system. The two cases cited above fell into this category.

Finding 2013-09

During testing of the report submitted for the quarter ended March 31, 2013 for Regular Claims Activity, the ETA 2208A (U13) Quarterly UI Contingency Report, we noted that the counts reported for staff years worked on Line 2, Employer Activities, did not agree to the underlying position activity records. This caused Line 7, the Total Staff Years, a summary line, to be incorrect as well.

Recommendation

We recommend that Nevada DETR enhance the controls and review procedures to ensure that staff years worked information included on the ETA 2208A (U13) Quarterly UI Contingency Report reconciles to the underlying position activity records.

Nevada DETR's Response

DETR agrees. We have already modified the UI-3 template to avoid double entry of project functions on the same line. This change will help reconciliation to the activity records and correct the problem resulting in this finding.

Finding 2013-010

During our testing and reconciliation of the Schedule of Expenditures of Federal Awards (SARF) to the accounting system, we identified that amounts reported to the Controller's Office as Unemployment Insurance benefit payments were not correct. The amounts reported included amounts related to the Reed Act funding, which is a separate Federal program, as well as Federal Unemployment Account loan repayments.

Recommendation

We recommend the DETR enhance controls and implement a reconciliation process to ensure Federal expenditures are reported accurately to the Controller's Office for inclusion on the SEFA.

Nevada DETR's Response

DETR agrees. The above referenced SARF was corrected and resubmitted to the Controller's Office on 12/2/2013. The template used to complete the SARF has been revised to calculate the Reed Act funds and any Federal Unemployment Account loan repayments as a separate amount, and to exclude those amounts for the total of Unemployment Insurance benefit payments made in the Fiscal Year. Staff was not aware of the exclusion of loan repayments from the benefit payments calculation. And the Reed Act funds are reported on the Automated Standard Application for Payments (ASAP) system as the UI Trust Fund which contributed to the error.

Financial Management has revised our Policies and Procedures to include instructions on how to complete the SARF's and exclusion of other funding sources from the benefit payments.

Finding 2013-011

The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to, or greater than \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

As part of our audit procedures, we tested a sample of two first-tier subawards funded under the Federal Assistance Identification Number (FAIN) AA-22954-12-55-A-32. For one subaward in the amount of \$679,465, dated January 8, 2013, the obligation information was not reported in the Funding Accountability and Transparency Subaward Reporting System (FSRS).

Recommendation

We recommend the Nevada DETR enhance controls to ensure compliance with FFATA reporting requirements.

Nevada DETR's Response

DETR has incorporated, as part of our grant reconciliation and reporting process, to obtain and track the FFATA requirements for tracking sub-award data. This information is logged on the spreadsheet for grant tracking and entered into the Federal Sub-award Reporting System (FSRS) when due.

**State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2013**

**U.S. Department of Labor
Workforce Investment Act Cluster**

**WIA Adult Programs, CFDA 17.258
WIA Youth Activities, CFDA 17.259
WIA Dislocated Workers, CFDA 17.260
WIA Dislocated Workers Formula Grants, CFDA 17.278**

Finding 2013-012

During our testing of the ETA-9091 WIA Annual Report for the WIA Cluster Awards (a sample of 40 participant cases), in five cases, we noted individual information, specifically for *other reasons for exit*, did not agree to the underlying records. The participants were reported as exited for reasons other than one of the conditions listed, when in fact, this information did not apply as the participants had not yet exited.

In two cases, we noted employment earnings, specifically for *quarters following exit*, did not agree to the underlying records. For one, the participant wage record data was doubled, and for the other, applicable wages were not included in the data.

In one case, we noted employment earnings, specifically earnings for *quarters prior to participation and quarters following exit*, did not agree to the underlying records. Applicable wages were not included in the data.

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. For participants with earnings in States other than Nevada, wage amounts are obtained from the Wage Record Interchange System (WRIS) to include in WIASRD and applicable WRIS wages were not included in the data reported. In addition, due to this omission, the employment outcome reported for *employment after exit quarter* was inaccurate.

Recommendation

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

Nevada DETR's Response

In response to the *other reason for exit* not agreeing to the underlying records, this is an OSOS bug that will be fixed in future versions of the software. Workforce Investment Support Services (WISS) will continue to report the bug to the software developer, but cannot provide a commitment date on behalf of the developer of when the corrections will be implemented.

In response to the *quarters following exit and prior to exit* not agreeing to the underlying records, this is a Nevada wage process and OSOS interface wage correction issue, which will be fixed

when the new Nevada UI system is updated with employer wages. Once the employer contribution wage portion of the system has been launched, the interface can be corrected. The UINV contributions portion of the system is set to launch near the end of calendar year 2014. The WRIS wage omission is also an OSOS software bug that will be corrected in a later version of the software. Again, WISS will continue to report the bug to the software developer and work toward implementation of fixes.

Finding 2013-013

The Nevada DETR did not issue a management decision for its subrecipients' audit findings or ensure timely and appropriate corrective actions were taken.

As part of our audit procedures, we tested the two subrecipients to verify that the Nevada DETR 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 WIA Cluster audit findings and that the Nevada DETR did not issue a management decision to ensure the subrecipient took timely and appropriate corrective action.

Recommendation

We recommend the Nevada DETR enhance procedures to ensure timely management decisions are issued, when required, and to ensure the corrective action plan is monitored.

Nevada DETR's Response

Nevada DETR will place this action item on the Workforce Investment Support Services Annual Calendar to ensure that the A-133 audits will be addressed within the required timeframes.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF EDUCATION:

Finding 2013-014:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126

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 one instance where fringe benefits charged to the VR program were not equitably allocated to the VR program. The timesheet examined did not identify which Federal program the leave time and related fringe benefits should be charged to. When this occurs, compensation that is not coded to a specific program will be allocated according to a default "leave profile" assigned in the timekeeping system. In this instance, the "leave profile" was programmed to assign 95 percent of the uncoded charges to the VR program. We noted that the resulting allocation was not consistent with actual time and effort of the employee for the VR program for the period.

Questioned Costs: Known questioned costs are \$318.

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 pages 156 and 157.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF EDUCATION:

Finding 2013-015:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.126 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<p>The <i>OMB Circular A-133 Compliance Supplement</i> 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:</p> <ol style="list-style-type: none">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; orThe 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.
<i>Condition and Context:</i>	As part of our testing, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 25 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Benefits may not have been provided to eligible individuals within a reasonable time.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures in place to ensure that eligibility determinations occurred within the required time frame.
<i>Recommendation:</i>	We recommend the Department of Employment, Training and Rehabilitation enhance procedures to ensure that eligibility determinations occur within the required time frame.
<i>Management's Response:</i>	See management's response on page 157.



March 7, 2014

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 2013 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, 2013. The specific audit findings pertaining to the Rehabilitation Services Administration (RSA) Federal Grants/Programs are listed below:

Rehabilitation Services, Vocational Rehabilitation Grants to States, CFDA 84.126

- Findings 2013-014 and 2013-015

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
DETR Director

cc: Dennis Perea, DETR Deputy Director
Shelley Hendren, DETR Administrator, Vocational Rehabilitation Division
Mark Costa, DETR 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, 2013**

**U.S. Department of Education
Vocational Rehabilitation Cluster**

Rehabilitation Services, Vocational Rehabilitation Grants to States, CFDA 84.126

Finding 2013-014

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 one instance where fringe benefits charged to the VR programs were not equitably allocated to the VR program. The timesheet examined did not identify which Federal program the leave time and related fringe benefits should be charged to. When this occurs, compensation that is not coded to a specific program will be allocated according to a default “leave profile” assigned in the timekeeping system. In this instance, the “leave profile” was programmed to assign 95 percent of the uncoded changed to the VR program. We noted that the resulting allocation was not consistent with actual time and effort of the employee for the VR program for the period.

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 agrees but a ready solution is not forthcoming. Efforts were begun by FM, IDP, Chief Internal Auditor and State Payroll to correct this issue in 2012. For a variety of reasons these methods did not solve the issue and a manual solution was implemented. This manual solution consisted of a series of distribution reports covering different pay periods and highlighting possible leave coding errors, was made available to the FM System Administrator. Among their other duties and as time allowed coding errors on timesheets were corrected. The first distribution report contained about 220 errors. And about fifty of them were corrected. Each error must be manually researched, the appropriate supervisor contacted and corrections manually entered into the system once supervisor feedback is obtained. Corrective changes can take anywhere from 2-3 weeks before being entered by the Central Payroll office due to their lead time requirements and then appearing an additional two weeks later on a new distribution report. The process is time-consuming and is subject to responses from supervisors, Central Payroll cut-off times, as well as there being only one employee with the expertise to do this work.

There were signs of improvement. Some of the supervisors were very forthcoming when contacted and the resulting conversations resulted in corrections which have prevented similar problems from occurring in the subsequent reports.

The list was being worked from top to bottom. The auditor selected an employee near the bottom who had not been corrected yet. Hence this finding resulted. But during the October federal shutdown and the need to shift to other job codes as funding sources were interrupted,

has exacerbated the problem where more default leave codes now need to be corrected. In addition, this position has been vacant since January.

The current manual process to correct the finding is both time consuming and labor intensive. A comprehensive restructuring to the DETR's legacy system and its relationship with NEATS (personnel time coding system) needs to take place. Because available IDP resources are limited (with the implementation of other major systems), an automated solution has not been fully considered, however, as IDP resources become available, department priorities will be re-focused towards this need.

Finding 2013-015

As part of our testing, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 25 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted, was met.

Recommendation

We recommend the Nevada DETR enhance procedures to ensure that eligibility determination occur within the required time frame.

Nevada DETR's Response

DETR's Rehabilitation Division does not dispute the finding that eligibility for the participant in case number 67836 was determined outside the established sixty day time frame. Because of staff shortages, turnover and high workloads, the initial intake date was input incorrectly into the system and hence, the 60 day eligibility time line was exceeded by one day. Staff have been reminded to be more diligent when entering intake dates into the system and counselors and supervisors have been reminded to compare the date stamps to the intake date in the system to ensure accuracy and compliance. 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.

The following steps will be taken:

1. Review eligibility determination requirements and process with counselors, supervisors and technicians.
2. Direct staff to utilize aging reports in RAISON which provides tracking information for eligibility determination due date.
3. Encourage counselors to utilize the prompting tool on Outlook to review cases nearing the 60 day time period.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 2013-016:

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

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 four prime contractors and their subcontractors. Although the certified weekly payrolls were received, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely, and there was no documentation available of communication with the contractors to support efforts to ensure future reports would be submitted timely.

Questioned Costs: 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 controls were not in place to ensure that communication with contractors was made when required certified payrolls were not received timely, as prescribed by the Davis-Bacon Act.

Recommendation:

We recommend that the Nevada Department of Transportation enhance controls to ensure that communication with contractors is made when required certified payrolls are not received timely, as prescribed by the Davis-Bacon Act.

Management's Response:

See management's response on page 162.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 2013-017:

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

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 30 federally funded construction projects completed during the year were tested. One of the projects, 3517, required tests to be performed and additional independent assurance (IA) tests related to the initial tests to be performed. We noted that the IA testing for materials for the project was not performed as prescribed on the Required Minimum Number of Tests-IA column of the Acceptance Testing Frequency Report.

Questioned Costs: 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 IA 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 163.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
1263 S. Stewart Street
Carson City, Nevada 89712

RUDY MALFABON, P.E., Director

In Reply Refer to:

March 7, 2014

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, 2013. Kafoury, Armstrong's findings 13-16, and 13-17 concern the Nevada Department of Transportation.

Finding 13-16 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 13-16:

Procedures ensuring weekly certified payroll are received as prescribed by the Davis-Bacon Act are being reviewed to ensure compliance measures are acceptable and will be revised accordingly if any shortfalls are discovered. Additional control procedures will be added, specifically in instances where certified payroll violations occur, the bi-weekly progress payments may be withheld (unless immediate action is taken to correct the violation), to ensure all required certified payrolls are timely received as prescribed by the Davis-Bacon Act.

Enhanced communication between External Civil Rights and Contract Compliance, the Resident Engineers and their staff to ensure proper monitoring of electronic payroll submission to confirm that subcontractors that physically perform work on a project have submitted a weekly certified payroll will become effective immediately. Training at Resident Engineer meetings and independently scheduled trainings will be offered. Meetings with LCPtracker to enhance the compliance tracking system have taken place during 2013 and the enhancements are scheduled to take place during the second quarter of 2014. A coordinated effort to implement these corrective actions will be done under the supervision of the District Engineers with oversight and technical guidance provided by the Chief Construction Engineer and Civil Rights Officer.

Finding 13-17 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 13-17:

The District Engineers and Construction Engineer have, and will continue to, work together to identify methods to improve communication between District and Headquarters construction staff. We have continued to emphasize the importance of communication, inspection, and testing, in addition to the roles and responsibilities of the quality assurance staff. Under our existing policy, the responsible engineer is able to use his professional judgment to deviate from the sampling requirements as prescribed in the Construction Manual. Any variance to sampling requirements are to be based on the specific project and engineering judgment. Any testing variances will be communicated, in writing, to the District construction contract administrative staff directly on, or attached to, the Acceptance Testing Frequency Report (Form 040-075). This will be done under the supervision of the Resident Engineers with oversight from the District Engineers guidance will also be provided by the Chief Construction Engineer. These corrective actions have been implemented, however due to long term nature of NDOT's construction contracts the benefits may not be fully realized for several years.

Sincerely,

for Rodolfo Malfabon, P.E.
Director

Cc: Tracy Larkin-Thomason
Robert Nellis
Richard Nelson
David Olsen
Norfa Lanuza
Shannon Ryan
Debbie Clark
Dana Olivera

Bill Hoffman
Kevin Lee
Thor Dyson
Jeff Shapiro
Thor Dyson
Mary Martini
Yvonne Schuman

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF ENERGY:

Finding 2013-018:

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: 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.

For subrecipients that are not required to submit a copy of the reporting package to a pass-through entity because there were "no audit findings," the pass-through entity may use the information in the Federal Audit Clearinghouse (FAC) database as evidence to verify that the subrecipient had "no audit findings" and that the required audit was performed. This verification would be in lieu of reviewing submissions by the subrecipient to the pass-through entity when there are no audit findings.

In addition, 2 CFR Part 25 §25.205(a) provides that an agency may not make an award to an entity until the entity has complied with the requirements to provide a valid DUNS number.

Condition and Context: As part of our audit procedures, we tested two of the 18 subrecipients that had previously expended State Energy Program funds 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 one of the subrecipient's audit report had not been obtained and reviewed, and no evidence was available to support that alternate procedures had been performed. Further, we tested one of five subrecipients who were awarded subgrants during the fiscal year and found that the Nevada State Office of Energy did not obtain a DUNS number from the subrecipient before awarding the subgrant.

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 subrecipients provided DUNS numbers before being awarded subgrants, and that 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 subrecipients provide DUNS numbers before being awarded subawards, and that subrecipient audits are completed timely, management decisions are issued for subrecipient findings, and corrective action is taken on audit findings.

Management's Response:

See management's response on pages 166 and 167.



GOVERNOR'S OFFICE OF ENERGY

March 11, 2014

Ms. Julie Howe, Project Officer
Golden Field Office
Department of Energy
15013 Denver West Parkway
Golden, CO 80401

Ms. Amy Jiron, Project Officer
Golden Field Office
Department of Energy
15013 Denver West Parkway
Golden, CO 80401

Dear Ms. Howe and Ms. Jiron,

Kafoury, Armstrong and Company performed an annual single audit of the State Energy Program, CFDA 81.041 and the ARRA State Energy Program, CFDA 81.041A for the year that ended June 30, 2013. Kafoury's Finding 2013-018 is addressed below.

Recommendation:

We recommend the Nevada State Office of Energy implement procedures to ensure subrecipients submit DUNS awards before being awarded subawards, and that subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe.

Response:

In response to the first recommendation, we will clearly state in our Internal Controls and Policies and Procedures that DUNS numbers must be received prior to a subaward being approved. In our Internal Controls, the forms found in the Appendices require a DUNS number but these forms were prepared after the contract in question was executed. We do not anticipate that this problem will occur again because of the corrective action we have already taken; however, adding additional references in the Internal Controls may be useful. Two appropriate locations in the Internal Controls have been identified. The first is in the section entitled Grants on page 17. Under Item 6, the following sentence will be added "Contractor shall submit DUNS number prior to entering into contract." The second appropriate location is in the section entitled Grants, which starts on page 19 of the Internal Controls. Under Item 37, the third sentence will be modified to include reference to the DUNS numbers. Revisions to the Internal Controls will be completed within 30 days of the date of this letter.

Regarding the second recommendation, the single audit requirement was performed by the subrecipient as required by law and the information was reviewed by our office. There was a difference in opinion between our office and the subrecipient on what necessitated a need for a single audit report that resulted in a delay in receiving this report. In the future, our office will ensure that the audit is received and reviewed by the required deadline, and we will include the requirement to access the Federal Audit Clearinghouse database as evidence to verify that the subrecipient had no audit findings and that the required audit was performed in the agency's internal controls and procedures. The requirement will be added on page 26, Item 37, of our Internal Controls. Revisions to the Internal Controls will be completed within 30 days of the date of this letter.

If you have any questions, please contact me if I can be of further assistance.

Sincerely,



Brita Tryggvi
Deputy Director

cc: Paul Thomsen, Director, Governor's Office of Energy
Shannon Ryan, Deputy Legislative Auditor, LCB
Kevin Hill, Energy Program Manager, Governor's Office of Energy
Tiffany Greenameyer, Department of Administration
David Aurand, Department of Administration

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

U.S. DEPARTMENT OF EDUCATION:

Finding 2013-019:

Improving Teacher Quality, CFDA 84.367

<i>Grant Award Number:</i>	Affects grant award S367A120027-12A included under CFDA 84.367 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> prescribes an allocation formula for subgrants to Local Educational Agencies (LEA's) in any year in which the amount available in the State exceeds the sum of the "hold-harmless" amounts for LEAs. Of the excess funds, the State must distribute 20 percent to LEAs based on the relative population of children ages five through 17, and 80 percent to LEAs based on the relative numbers of individuals ages five through 17 from families with incomes below the poverty line (Section 2121(a) of the ESEA (20 USC 6621(a))).
<i>Condition and Context:</i>	During our audit procedures, we examined the schedule prepared by State personnel to support the allocations of the Federal year 2013 funds to the LEAs. The schedule included a keying error for the amount of one of the subrecipient's poverty population, which in turn caused the amount allocated to each subrecipient to be incorrectly calculated.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Awards to LEAs were not calculated as prescribed, and although the total amount allocated was correct, the individual LEAs were not awarded the correct amounts.
<i>Cause:</i>	The Nevada Department of Education did not have adequate controls in place to ensure the LEA subgrant amounts were calculated accurately.
<i>Recommendation:</i>	We recommend the Nevada Department of Education enhance controls to ensure the LEA subgrant amounts are calculated accurately.
<i>Management's Response:</i>	See management's response on page 169.

BRIAN SANDOVAL
Governor

STATE OF NEVADA

SOUTHERN NEVADA OFFICE
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DALE A.R. ERQUIAGA
Superintendent of Public Instruction



DEPARTMENT OF EDUCATION
700 E. Fifth Street
Carson City, Nevada 89701-5096
(775) 687 - 9200 • Fax: (775) 687 – 9101
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March 07, 2014

Sara Waly, Education Program Specialist
United States Department of Education
Office of Academic Improvement and Teacher Quality
Office of Elementary and Secondary Education
400 Maryland Ave., SW
Washington D.C. 20202
sara.waly@ed.gov
202-453-6496

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Teacher Quality Grant CFDA 84.367, administered by the Nevada Department of Education for the year ended June 30, 2013. Kafoury, Armstrong's finding 13-019 concerns this program.

Finding 13-019 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance controls to ensure the LEA allocation amounts are calculated correctly.

Nevada Department of Education response:

The Nevada Department of Education accepts the finding and will implement procedures to ensure all allocations are correctly calculated.

Corrective Action:

The Department has corrected the allocations for the Teacher quality grant, and has implemented controls to verify all information is correctly input to calculate future allocations properly.

If you have any question, please contact Robert Pawley, Administrative Services Officer III at (775)-687-9234 or email at rpawley@doe.nv.gov, or Leslie James at (775)-687-9134 or email at ljames@doe.nv.gov.

Sincerely,



Julia Teska
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Dale Erquiaga, Superintendent of Public Instruction, Nevada Department of Education
Steve Canavero, Deputy Superintendent
Julia Teska, Deputy Superintendent
Robert Pawley, Administrative Services Officer III
Cindy Sharp, Director APAC programs
Leslie James, Education Professional

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF EDUCATION:

Finding 2013-020:

Improving Teacher Quality, CFDA 84.367
Striving Readers, CFDA 84.371
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, CFDA 84.388

Grant Award Number: Affects the grant awards included under CFDA 84.367, 84.371 and 84.377 on the Schedule of Expenditures of Federal Awards.

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant equal to or greater than \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

Condition and Context: As part of our audit procedures, we requested to view the subaward information reported in the FFATA Subaward Reporting System (FSRS) for subawards obligated during the fiscal year. It was noted that this data had not been entered into the FSRS.

Questioned Costs: None.

Effect: Subaward obligations were not reported in the FSRS, and the State was not in compliance with the reporting requirements of FFATA.

Cause: The Nevada Department of Education did not have adequate controls in place to ensure that all reporting requirements were met.

Recommendation: We recommend the Nevada Department of Education enhance controls to ensure that that all reporting requirements are met.

Management's Response: See management's response on pages 172 and 173.

BRIAN SANDOVAL
Governor

STATE OF NEVADA

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DALE A.R. ERQUIAGA
Superintendent of Public Instruction



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March 07, 2014

Monique M. Chism Ph.D, Director
Student Achievement and School Accountability Programs
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Washington DC 20202
202-260-0991

Sara Waly, Education Program Specialist
United States Department of Education
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Rosemary Fennell
Sr. Program Analyst
U.S. Department of Education
SRCL Grant
400 Maryland Ave. SW , WDC Room #3E228
Washington D.C. 20202
Rosemary.Fennell@ed.gov
Phone 202-401-2425

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the School Improvement Grant, CFDA 84.377, the Teacher Quality Grant-Title IIA, CFDA 84.367 and the Striving Readers grant CFDA 84.371 administered by the Nevada Department of Education for the year ended June 30, 2013. Kafoury, Armstrong's finding 13-020 concerns these programs.

Finding 13-020 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance controls to ensure that all reporting requirements are met.

Nevada Department of Education response:

The Nevada Department of Education accepts the finding and will implement procedures to ensure all reporting requirements will be met.

Corrective Action:

The Department will report all grants and allocations in the FSRS reporting website for the FFATA requirement, as required.

If you have any question, please contact Robert Pawley, Administrative Services Officer III at (775)-687-9234 or email at rpawley@doe.nv.gov., or Leslie James at (775)-687-9134 or email at ljames@doe.nv.gov or Marcia Callaway at (775)-687-9161 or email at mcalloway@doe.nv.gov.

Sincerely,



Julia Teska
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Dale Erquiaga, Superintendent of Public Instruction, Nevada Department of Education
Steve Canavero, Deputy Superintendent
Julia Teska, Deputy Superintendent
Robert Pawley, Administrative Services Officer III
Marcia Callaway, Director OEO Programs
Cindy Sharp, Director APAC programs
Leslie James, Education Professional
Colin Usher, Education Professional

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-021:

Block Grants for Community Mental Health Services, CFDA 93.958

<i>Grant Award Number:</i>	Affects grant award 3B09SM010039-12S3 included under CFDA 93.958 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in the <i>OMB Circular A-133 Compliance Supplement</i> , the State may not expend more than five percent of grant funds for administrative expenses with respect to the grant (42 USC 300x-5(b)).
<i>Condition and Context:</i>	During our audit, we planned to test that the State monitored the administrative costs and did not use more than five percent of the grant funds for administrative expenses. The Nevada Division of Public and Behavioral Health passed grant funds to several other State agencies, and we found that the Division did not monitor the collective administrative expenses to ensure compliance with the earmarking requirement. State personnel represented that documentation to support compliance with this earmarking requirement was not maintained for fiscal year 2013, and compliance could not be verified.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	The State may have used more than the allowable five percent for administrative costs.
<i>Cause:</i>	The Division did not have adequate policies and procedures in place to track and monitor the amounts expended for administrative costs to ensure compliance with the earmarking requirement.
<i>Recommendation:</i>	We recommend that the Division develop policies and procedures to track and monitor the amounts expended for administrative costs to ensure compliance with the earmarking requirement.
<i>Management's Response:</i>	See management's response on page 176.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-022:

Block Grants for Community Mental Health Services, CFDA 93.958

<i>Grant Award Number:</i>	Affects grant award 3B09SM010039-12S3 included under CFDA 93.958 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> identifies two maintenance of effort requirements for this program: (1) the State shall, for each fiscal year, maintain aggregate State expenditures for community mental health centers at a level that is not less than the average level of such expenditures by the State for the two fiscal years preceding the fiscal year of the grant (42 USC 300x-4(b)), and (2) the State shall expend an amount not less than an amount equal to the amount expended in fiscal year 1994 for systems of integrated services for children with serious emotional disturbance (42 USC 300x-2(a)(1)(C)).
<i>Condition and Context:</i>	The Division of Public and Behavioral Health has developed a “Maintenance of Effort Calculation” spreadsheet that calculates and compares the current year State expenditures for community mental health centers to the average of the previous two years, and also tracks the State spending for services for children with serious emotional disturbance. During our audit procedures we noted that, although the spreadsheet appeared to have been maintained through fiscal year 2012, the data included for fiscal year 2013 was based on estimates, and the information for the actual current year amounts could not be provided.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	The State may not be in compliance with the maintenance of effort requirements.
<i>Cause:</i>	The State did not have adequate controls in place to ensure that documentation to support compliance with the maintenance of effort requirements was updated and maintained.
<i>Recommendation:</i>	We recommend that the State implement controls to ensure that documentation to support compliance with the maintenance of effort requirements is updated and maintained.
<i>Management’s Response:</i>	See management’s response on pages 176 and 177.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
Chief Medical Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH**

4150 Technology Way, Suite 300
Carson City, Nevada 89706

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

March 3, 2014

Mr. Richard di Geronimo
Lead Public Health Advisor/Project Officer/FAC-P/PM
US Department of Health and Human Services
Substance Abuse and Mental Health Services Administration
SAMHSA/CMHS/DSCSD/SGWB
One Choke Cherry Road
Room 2-1099
Rockville, Maryland 20857

Dear Mr. di Geronimo,

Kafoury, Armstrong & Company, CPAs performed an annual single audit of the Block Grants for Community Mental Health Services, CFDA 93.958, active during the State of Nevada's fiscal year 2013 which ended June 30, 2013. Kafoury, Armstrong's findings 2013-021 and 2013-022 concern the Block Grants for Community Mental Health Services program.

Finding 2013-021 resulted in the following recommendation:

We recommend that the Nevada Division of Public and Behavioral Health develop policies and procedures to track and monitor the amounts expended for administrative costs to ensure compliance with the earmarking requirement.

Nevada Division of Public and Behavioral Health response:

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

Corrective Action for Finding 2013-021

The Nevada Division of Public and Behavioral Health will revise its policies and procedures regarding monitoring activities to ensure that the state does not collectively expend more than five percent of its grant funds on administrative expenses. A management analyst position has been identified to ensure compliance with the earmarking requirement. Program Manager David Caloiaro will be responsible for the application of these procedures, which will be implemented by June 1, 2014.

Finding 2013-022 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement controls to ensure that documentation to support compliance with the maintenance of effort requirements is updated and maintained.

Mr. di Geronimo

Page 2 of 2

March 3, 2014

Nevada Division of Public and Behavioral Health response:

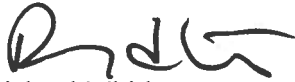
The Nevada Division of Public and Behavioral Health accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 2013-022

The Nevada Division of Public and Behavioral Health will revise its policies and procedures to require the program's management analyst to complete the maintenance of effort calculations, using current year expenses, with oversight provided by administrative services' fiscal staff. Program Manager David Caloiaro will be responsible for the maintenance of effort calculation. These revised policies and procedures will be implemented prior to July 1, 2014.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or mwine@health.nv.gov.

Sincerely,



Richard Whitley
Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Company
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
Mark Winebarger, ASO IV, Division of Public and Behavioral Health
Ellen Richard-Adams, Deputy Administrator, Division of Public and Behavioral Health
David Caloiaro, Clinical Program Planner III, Division of Public and Behavioral Health

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-023:

Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959

<i>Grant Award Number:</i>	Affects grant award 3B08TI010039-12 included under CFDA 93.959 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in the <i>OMB Circular A-133 Compliance Supplement</i> , the State shall expend not less than 20 percent of the Substance Abuse Prevention and Treatment Block Grant (SABG) for primary prevention programs for individuals who do not require treatment of substance abuse.
<i>Condition and Context:</i>	During our audit, we tested the schedule used by Nevada Division of Public and Behavioral Health personnel to track and support compliance with this earmarking requirement for award number 3B08TI010039-12, which ended September 30, 2013. We noted that, as of June 30, 2013, more than 99 percent of the award funds had been expended, and the schedule supported that only 15.45 percent had been used for primary prevention programs. Therefore, it appears the amount used for preventive programs was approximately four percent less than the 20 percent earmarking requirement.
<i>Questioned Costs:</i>	Four percent of the 3B08TI010039-12 total award amount of \$13,745,028 represents approximately \$550,000.
<i>Effect:</i>	The portion of the grant earmarked for primary prevention was used for activities other than primary prevention.
<i>Cause:</i>	The Nevada Division of Public and Behavioral Health did not have adequate controls in place to ensure that sufficient amounts of award funds were used for primary prevention programs for individuals who do not require treatment of substance abuse.
<i>Recommendation:</i>	We recommend the Nevada Division of Public and Behavioral Health enhance controls to ensure that sufficient amounts of award funds are used for primary prevention programs for individuals who do not require treatment of substance abuse.
<i>Management's Response:</i>	See management's response on pages 179 and 180.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
Chief Medical Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH**

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March 3, 2014

Theresa Mitchell-Hampton, Dr.PH, M.Ed.
Public Health Advisor/State Project Officer for HHS Region VIII and IX
Substance Abuse Block Grant
US Department of Health and Human Services
Substance Abuse and Mental Health Services Administration
One Choke Cherry Road
Room 5-1102
Rockville, Maryland 20857

Dear Dr. Mitchell-Hampton,

Kafoury, Armstrong & Company, CPAs performed an annual single audit of the Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959, active during the State of Nevada's fiscal year 2013 which ended June 30, 2013. Kafoury, Armstrong's finding 2013-023 concern the Block Grants for Prevention and Treatment of Substance Abuse program.

Finding 2013-023 resulted in the following recommendation:

We recommend that the Nevada Division of Public and Behavioral Health enhance controls to ensure that sufficient amounts of award funds are used for primary prevention programs for individuals who do not require treatment of substance abuse.

Nevada Division of Public and Behavioral Health response:

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

Corrective Action for Finding 2013-023

Although the Nevada Division of Public and Behavioral Health has policies and procedures in place that require the Substance Abuse Prevention and Treatment Agency (SAPTA) to calculate earmarked expenditures, these procedures will be strengthened to ensure that management is notified periodically of the earmarked allocations. When earmarks are not being met, management will revise its spending plan to ensure that these earmarks are satisfied. The Division is in the process of hiring a new Management Analyst III who will be assigned the responsibility of calculating earmarks. Bureau Chief Kevin Quint will be responsible for ensuring all earmarks are satisfied. This corrective action will be completed no later than September 30, 2014.

Dr. Mitchell-Hampton

Page 2 of 2

March 3, 2014

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or mwine@health.nv.gov.

Sincerely,



Richard Whitley
Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Company
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
Mark Winebarger, ASO IV, Division of Public and Behavioral Health
Kevin Quint, Bureau Chief, SAPTA
Mary Wherry, MS, RN, Deputy Administrator of Community Services, DPBH

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-024:

National Bioterrorism Hospital Preparedness Program, CFDA 93.889

Grant Award Number: Potentially affects all grant awards under CFDA 93.889 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 are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Condition and Context: The Nevada Division of Public and Behavioral Health allocates salary and benefit charges to the Hospital Preparedness Program according to percentages assigned to the employee positions. The personnel activity reports (time cards) signed by employees are exception-only reports, and by including a notation of the percent of time worked on the Hospital Preparedness Program on the time cards, they effectively support the amount of salary and benefit costs that should have been charged to the program.

During our testing of payroll charges to this program, we examined 25 time cards for employees who work on multiple activities or Federal programs, including the Hospital Preparedness Program. It was noted that in some instances the percentage of the employee's time charged to the Hospital Preparedness Program did not match the percentage indicated on the time card by the employee. It was also noted that some of the time cards tested did not include any notations by the employees to support the amount of their time allocated to Federal awards. Because those time cards did not identify the Federal programs and time allocation on them, the time cards did not meet the standards for documentation.

Questioned Costs: Undetermined. The variances noted represent both over- and under-statements relative to the amounts of time charged to the Hospital Preparedness Program.

Effect: Unallowable costs could be charged to the Federal program.

Cause: Procedures were not in place at the Nevada Division of Public and Behavioral Health to ensure that the documentation of time and effort by all employees was adequate to support salary and benefit charges to the Hospital Preparedness Program.

Recommendation: We recommend that the Nevada Division of Public and Behavioral Health implement procedures to ensure that the documentation of time and effort by all employees is adequate to support salary and benefit charges to the Hospital Preparedness Program.

Management's Response: See management's response on page 184.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-025:

National Bioterrorism Hospital Preparedness Program (HPP), CFDA 93.889

Grant Award Number: Affects all grant awards included under CFDA 93.889 on the Schedule of Expenditures of Federal Awards.

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.

Condition and Context: As part of our testing, we planned to test the subaward data entered into the FFATA Subaward Reporting System (FSRS) for grant number 1U90TP000534-01, as we noted that the State used the award to make payments to five subrecipients during the year. It was noted that the required reporting for FFATA had not been performed for subgrants made with HPP funds, and no evidence was available to support that efforts had been made to report such information.

Questioned Costs: None.

Effect: Subaward obligations were not reported in the FSRS and the State was not in compliance with the reporting requirements of FFATA.

Cause: The Nevada Division of Public and Behavioral Health did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

Recommendation: We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure compliance with FFATA reporting requirements.

Management's Response: See management's response on pages 184 and 185.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
Chief Medical Officer

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC AND BEHAVIORAL HEALTH**

4150 Technology Way, Suite 300
Carson City, Nevada 89706
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 3, 2014

Mrs. Cheryl Pressley
Centers for Disease Control and Prevention
Procurement and Grants Office
2920 Brandywine Road
Mail Stop E-15
Atlanta, GA. 30341

Dear Mrs. Pressley,

Kafoury, Armstrong & Company, CPAs performed an annual single audit of the National Bioterrorism Hospital Preparedness Program (HPP), CFDA 93.889, active during the State of Nevada's fiscal year 2013 which ended June 30, 2013. Kafoury, Armstrong's findings 2013-024 and 2013-025 concern the National Bioterrorism Hospital Preparedness Program.

Finding 2013-024 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement procedures to ensure that the documentation of time and effort by all employees is adequate to support salary and benefit charges to the Hospital Preparedness Program.

Nevada Division of Public and Behavioral Health response:

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

Corrective Action for Finding 2013-024

Procedures will be put into place to ensure that the documentation of time and effort by all employees is adequate to support salary and benefit charges to the Hospital Preparedness Program. These procedures will include the requirement that all employees enter on their time sheets the percentage of time allocated to each activity. Program supervisors will review each time sheet and match it to a master time allocation document that will be used in preparing federal draws. HPP Program Manager Erwin Seward will be responsible for the implementation and oversight of these procedures, which will be fully implemented prior to July 1, 2014.

Finding 2013-025 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

Mrs. Pressley
Page 2 of 2
March 3, 2014

Nevada Division of Public and Behavioral Health response:

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

Corrective Action for Finding 2013-025

A policy will be developed to ensure that the reporting of subawards that are greater than or equal to \$25,000 annually are made according to the Federal Funding Accountability and Transparency Act (FFATA). This policy will describe the procedures, roles and internal controls necessary to ensure proper subaward reporting. A management analyst will be placed in charge of reporting subaward usage through the FFATA Subaward Reporting System (FSRS). A program officer will maintain a tracking log that will monitor compliance requirements and report updated status to the management analyst no less than once per month. An administrative services officer will oversee the subaward reporting with reports no less than one each quarter. HPP Program Manager Erin Seward will be responsible for this policy, which will be implemented no later than July 1, 2014.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or mwine@health.nv.gov.

Sincerely,



Richard Whitley
Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Company
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
Mark Winebarger, ASO IV, Division of Public and Behavioral Health
Chad Westom, Bureau Chief, Division of Public and Behavioral Health
Erin Seward, Health Program Manager II, Division of Public and Behavioral Health

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-026:

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

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658 and 93.658A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	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 <i>et seq.</i>), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.
<i>Condition and Context:</i>	<p>The Foster Care Title IV-E (CFDA 93.658) program was covered by the State of Nevada Treasury-State Agreement for fiscal year 2013. The terms of that agreement specify that the State will request funds for Program costs (non-administrative costs, including payments to subrecipients) in accordance with the Actual Drawdown – Weekly funding technique.</p> <p>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.</p> <p>We examined support for a sample of sixteen cash draws for Foster Care and noted that eight of those draws were for Program costs that included amounts for payments to subrecipients. For each of those draws we found that the Nevada Division of Child and Family Services requested the funds several days prior to the disbursement of the related amounts to subrecipients. Although the reimbursement requests appeared to be for immediate cash needs, this draw technique used did not comply with the funding technique prescribed by the Treasury-State Agreement.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	An interest liability for the State could result.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not have adequate controls in place to ensure adherence to the funding technique described in the Treasury-State Agreement.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services enhance controls to ensure adherence to the funding technique described in the Treasury-State Agreement.
<i>Management's Response:</i>	See management's response on pages 196 and 197.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-027:

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

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658 and 93.658A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> 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 a child must meet the eligibility requirements of the former Aid to Families with Dependent Children program (42 USC 672(a)). The eligibility determination also requires a judicial determination regarding reasonable efforts to finalize a permanency plan, which must be made within 12 months of the date on which the child is considered to have entered foster care, and at least once every 12 months thereafter while the child is in foster care (45 CFR section 1356.21(b)(2)).
<i>Condition and Context:</i>	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 Aid to Families with Dependent Children program requirement for income eligibility was not met. We noted a separate instance in which the court documents did not include language indicating that reasonable efforts were made to finalize a permanency plan within the previous 12 months of eligibility.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	Federal reimbursement was received for children whose eligibility determinations were not supported by all the required documentation.
<i>Cause:</i>	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.
<i>Recommendation:</i>	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.
<i>Management's Response:</i>	See management's response on pages 197 and 198.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-028:

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 States are required to adopt and adhere to their own statutes and regulations for program implementation, consistent with the requirements of Title IV-E (42 USC 671) and their approved Title IV-E plan. In order for a State to be eligible for payments under 42 USC 671, it shall have a Title IV-E plan approved by the Secretary of Health and Human Services (the Secretary).

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 in accordance with the approved Title IV-E plan. During that testing we found that in November 2012, the State issued a directive that modified the income criteria for determining Title VI-E eligibility, although an amended State Plan that included those criteria had not yet been approved.

In response to the directive, the Nevada Division of Child and Family Services performed redeterminations on previously ineligible participants using the new criteria, and some of those participants were determined eligible for Title IV-E. However, the directive with the revised eligibility criteria was not approved by the Secretary and the directive was subsequently rescinded in August 2013.

Questioned Costs: Undetermined.

Effect: Federal reimbursement was claimed for children whose eligibility determinations were not made in accordance with the approved Title IV-E plan. The State may be responsible for performing redeterminations of the cases approved during the time the directive was applied, and may be liable for amounts received for participants that were claimed as eligible under the directive, but who were ineligible under the approved Title IV-E plan.

Cause: The Nevada Division of Child and Family Services did not have adequate controls in place to ensure modifications to the State's Title IV-E plan were approved by the Secretary in accordance with 42 USC 671 prior to implementation.

Recommendation:

We recommend the Nevada Division of Child and Family Services enhance controls to ensure modifications to the State's Title IV-E plan are approved by the Secretary in accordance with 42 USC 671 prior to implementation.

Management's Response:

See management's response on page 198.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-029:

Foster Care – Title IV-E:

Foster Care, CFDA 93.658

Adoption Assistance – Title IV-E:

Adoption Assistance, CFDA 93.659

- Grant Award Number:* Affects all grant awards (except those marked as ARRA) included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.
- Criteria:* The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain Federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.
- Condition and Context:* As part of our testing, we requested to view the subaward data entered into the FFATA Subaward Reporting System (FSRS) for the State's two subrecipients, each of whom receive more than \$25,000 annually. It was noted that the required reporting for FFATA had not been performed. The Division of Child and Family Services personnel represented that they were aware of new reporting requirements related to FFATA, but were not aware that it was applicable for the Foster Care and Adoption Assistance programs administered at the State.
- Questioned Costs:* None.
- Effect:* Subaward obligations were not reported in the FSRS and the State was not in compliance with the reporting requirements of FFATA.
- Cause:* The Nevada Division of Child and Family Services did not have adequate procedures in place to identify the applicability of new reporting requirements and ensure compliance with reporting requirements.
- Recommendation:* We recommend the Nevada Division of Child and Family Services enhance procedures to identify the applicability of new reporting requirements and ensure compliance with reporting requirements.
- Management's Response:* See management's response on page 198.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-030:

Foster Care – Title IV-E:

Foster Care, CFDA 93.658

Adoption Assistance – Title IV-E:

Adoption Assistance, CFDA 93.659

Grant Award Number: Affects grant award 1301NV1401 included under CFDA 93.658 and grant award 1301NV1407 included under CFDA 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 schedule from award information provided by agencies that administer the various Federal award programs. The pertinent information is communicated 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 1301NV1401 and Adoption Assistance grant 1301NV1407 were not correctly reported to the Controller’s Office.

The Division of Child and Family Services prepared the SARFs based on expenditure amounts at the time of preparation of the SARFs. Subsequent to the preparation of the SARFs, additional Federal expenditures were recorded for the Foster Care and Adoption Assistance programs. When the additional Federal expenditures were recorded, amended SARFs were not prepared to accurately report Federal expenditure amounts to the Controller’s Office for inclusion on the SEFA. The amounts reported as Federal expenditures for the Foster Care program were understated by approximately \$1,050,000. Total Federal expenditures reported for the Adoption Assistance program were understated by approximately \$117,000.

Questioned Costs: None.

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

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

Management's Response: See management's response on page 199.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-031:

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 93.659 and 93.659A 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 calculated correctly and in compliance with the requirements of the program.

Condition and Context: When benefits are paid, the State's eligibility system, Unified Nevada Information Technology for Youth (UNITY) calculates and assigns the Federal and State share of benefits paid. As part of our testing over eligibility, we examined documentation for a sample of 40 (of approximately 450) cases to ensure that Federally-funded benefits were being paid on behalf of eligible participants, only. Of these 40 cases, we found two cases were determined ineligible by the Division of Child and Family Services eligibility staff, and were noted as such within the UNITY system. However, due to what appears to be a systemic error within the UNITY system, those cases were processed as eligible for Federal reimbursement.

As this error was systemic in nature, we evaluated the potential total effect of this condition. Within the State, an estimated 70 cases were improperly processed by the UNITY system as eligible for Federal participation during the 2013 State fiscal year. Of those cases, eight were under the jurisdiction of the State and the remaining were under the jurisdiction of the two subrecipients, Washoe County and Clark County.

Questioned Costs: The impact for the eight cases is \$15,959.

Effect: Federal benefits were paid on behalf of ineligible participants.

Cause: Adequate controls were not in place at the Nevada Division of Child and Family Services to ensure the UNITY system was assigning the Federal funding source only for those cases deemed eligible.

Recommendation: We recommend the Nevada Division of Child and Family Services implement procedures to ensure the UNITY system assigns the Federal funding source only for those cases deemed eligible.

Management's Response: See management's response on pages 199 and 200.

STATE OF NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-032:

Chafee Foster Care Independence Program, CFDA 93.674

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The Federal Funding Accountability and Transparency Act (FFATA) requires that direct recipients (prime awardees) of certain federal awards are required to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant equal to, or greater than, \$25,000. This requirement is effective for both mandatory and discretionary grants awarded by the Federal granting agency on or after October 1, 2010.
<i>Condition and Context:</i>	As part of our audit procedures, we tested one of six first-tier subawards exceeding \$25,000 that were funded under the Federal Assistance Identification Number (FAIN) 1201NV1420, and obligated July 1, 2012. The obligation information was reported in the FFATA Subaward Reporting System (FSRS). However, the obligation information was not reported until February 26, 2013, which is after the required submission date of August 30, 2012.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subaward information was not reported on a timely basis as required.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not have adequate controls and procedures in place to identify reporting requirements and ensure timely reporting of subaward information.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services enhance controls and procedures to identify reporting requirements and ensure timely reporting of subaward information.
<i>Management's Response:</i>	See management's response on page 200.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-033:

Chafee Foster Care Independence Program, CFDA 93.674

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , 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.
<i>Condition and Context:</i>	<p>The State of Nevada has a policy to perform an on-site monitoring review of each subrecipient every two years, and at that time, the most recent audit reports are reviewed.</p> <p>As part of our audit procedures, we selected two of eight subrecipients to test. The file of one of the subrecipients tested had support of the most recent audit performed, as a biennial on-site review was performed for that entity during fiscal year 2013. The other subrecipient tested did not have an on-site review performed during fiscal year 2013, and there was no documentation available to support that the State ensured an audit was completed, if required.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be corrected.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not have adequate procedures in place to ensure staff monitor subrecipient audits in the interim years between on-site monitoring reviews.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services enhance procedures to ensure staff monitor subrecipient audits in the interim years between on-site monitoring reviews.
<i>Management's Response:</i>	See management's response on page 200.



**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 7, 2014

Mr. Patrick A. Wells
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. Wells:

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, 2013. The audit findings pertain to the Federal Title IV-E Programs and Chafee Program listed below:

Foster Care – CFDA 93.658
ARRA – Foster Care – CFDA 93.658A
Adoption Assistance – CFDA 93.659
ARRA - Adoption Assistance – CFDA 93.659A
Chafee Foster Care – CFDA 93.674

Kafoury, Armstrong & Co. audit findings 2013-026 through 2013-031 concern these Federal Title IV-E programs. Audit findings 2013-032 through 2013-033 concern the Chafee Foster Care program. This letter serves as our response to the findings and recommendations:

Finding 2013-026 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services enhance controls to ensure adherence to the funding technique described in the Treasury-State Agreement.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The auditor examined support for a sample of sixteen cash draws for Foster Care and noted that eight of those draws were for Program costs that included amounts for payments to subrecipients. For each of those draws the auditor found that the Nevada Division of Child and Family Services requested the funds several days prior to the disbursement of the related amounts to subrecipients. Although the reimbursement requests appeared to be for immediate cash needs, this draw technique used did not comply with the funding technique prescribed by the Treasury-State Agreement.

Due to the subrecipients receiving a block grant of general fund in the budget accounts the Title IV-E funds are transferred into there are times when funds are not available to enable these payments to be made on a reimbursement basis.

Corrective Action:

The Division of Child and Family Services is working with the Chief Accountant of Operations at the Controller's Office to ensure understanding of the Division's practice before the Treasury-State Agreement is signed at the beginning of each fiscal year.

Finding 2013-027 resulted in the following 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.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The auditor reviewed a sample of 40 Foster Care cases to ensure that eligibility determinations were supported by required documentation and payment amounts were correct. The auditor noted one instance in which the Aid to Families with Dependent Children program requirement for income eligibility was not met. The auditor also noted a separate instance in which the court documents did not include language indicating that reasonable efforts were made to finalize a permanency plan within the previous 12 months of eligibility.

During the income determination for cases where the child is being remove a printout is received from the Employment Security Division showing income during the previous quarter. Because of the timing of the removal, the previous quarter income was not available. The printout from the Employment Security Division verified the information on the Application for Federal Benefits and that the employment was continuous since 2007. Because the employment information was not listed for the quarter prior to removal on the printout from Employment Security Division the eligibility worker assumed the income did not continue instead of waiting to receive more current wage information. The case was deemed IV-E eligible but should not have been due to excess income.

Within the first 12 months after a child is removed from their home and placed into Foster Care reasonable efforts to finalize a permanency plan must be listed in the court order as a requirement of IV-E eligibility. The reasonable efforts to finalize a permanency plan language must be received yearly in subsequent court orders to ensure continued IV-E eligibility. The initial court order contained the reasonable efforts language but subsequent court orders did not. The IV-E determination was not updated when the language was not received ongoing.

Corrective Action:

Training was provided to the DCFS eligibility unit. The eligibility team is also conducting ongoing peer reviews as well as supervisory reviews of all new cases opened. These case reviews are intended to ensure a clear understanding of the eligibility criteria and to identify problems that can be fixed immediately. This will also help identify ongoing training needs of the eligibility staff.

The Division of Child and Family Services has developed a collaborative working relationship with the Court Improvement Project, which is currently working to develop consistent court practices in child welfare cases. A top priority project has been to create a standardized court template which contains all the required Title IV-E language. An identified issue is that the process for creating court orders varies by court jurisdiction; in some areas court personnel create the orders; in others District Attorneys may do so, and still in others the child welfare caseworker may be required to do so. Creating the court order template will eliminate the inconsistency that is invariably created when different staff is creating orders. There is a current statewide workgroup comprised of Attorney General Staff, Child Welfare agency staff and District Attorney Staff to draft a template for statewide use.

In the meantime and until the templates have been created, the Division of Child and Family Services will prepare a memo briefly outlining the Title IV-E requirements to send to the local child welfare agency offices. The memo will contain the requirement that supervisors must review each court order prior to submitting to the court for approval.

Finding 2013-028 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services enhance controls to ensure modifications to the State's Title IV-E plan are approved by the Secretary in accordance with 42 USC 671 prior to implementation.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. In November 2012 the State issued a directive that modified the income criteria for determining Title IV-E eligibility, although an amended State Plan that included those criteria had not yet been approved. In response to the directive, the Nevada Division of Child and Family Services performed redeterminations on previously ineligible participants using the new criteria, and some of those participants were determined eligible for Title IV-E. The directive was subsequently rescinded in August 2013.

The Division of Child and Family Services acknowledges that these actions occurred. However, it is important to note that there is not active Eligibility Directive without a corresponding IV-E State Plan amendment because the Eligibility Directive was rescinded.

Corrective Action:

The Division of Child and Family Services is enhancing procedures between the Family Programs Office Manager and the Eligibility Supervisor to ensure any time there is a programmatic or eligibility change needed in relation to the Title IV-E program that the two units communicate to determine whether the Title IV-E State Plan would require an amendment. No change to Eligibility Determinations will be made until this collaboration is complete and Federal approval is received.

Finding 2013-029 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services enhance procedures to identify the applicability of new reporting requirements and ensure compliance with reporting requirements.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The Division of Child and Family Services personnel represented that they were aware of new reporting requirements related to FFATA, but were not aware that it was applicable for the Foster Care and Adoption Assistance programs administered at the State.

The requirement for FFATA reporting was listed on awards received in 2011 but the State was informed that the required reporting was not for entitlement funding. There was additional information received that the FFATA system was being revised and until that was complete the requirement did not exist and the requirement no longer appeared on the grant awards. Contact was made with ACF and the State was then informed that although the requirement no longer appeared on the grant awards that it was listed in the Terms and Conditions of the grant starting in Federal Fiscal Year 2013.

Corrective Action:

Procedures are being enhanced to ensure that when a grant award is received the grant award and the Terms and Conditions are reviewed and are understood for changes to reporting requirements.

Finding 2013-030 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services enhance controls to ensure all Federal expenditures are accurately reported to the Controller's Office for inclusion on the SEFA.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The Division prepared the SARF's based on expenditure amounts at the time of the preparation of the SARFS. Subsequent to the preparation of the SARFs, additional Federal expenditures were recorded for the Foster Care (\$1,050,000) and Adoption (\$117,000) programs. When the additional Foster Care and Adoption expenditures were recorded, amended SARFs were not prepared to accurately report Federal expenditure amounts to the Controller's Office for inclusion on the SEFA.

The SARFs were completed and submitted to the Controller's Office by the required due date which also coincides with the closing of the fiscal year. During the close of the fiscal year all expenditures have to be recorded. There were expenditures in one of the budget accounts that did not process until the week of closing. With these expenditures being so late in the fiscal year cost allocation could not be performed during the month of August to ensure all Federal expenditures were correctly allocated to the right fiscal year. The transactions were not coded with the job numbers and the SARFs were not updated until December 2013.

Corrective Action:

DCFS has implemented enhanced procedures and to ensure timely processing of all expenditures during the fiscal year to allow for correct coding and reporting of expenditures on the SEFA.

Finding 2013-031 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services implement procedures to ensure the UNITY system assigns the Federal funding source only for those cases deemed eligible.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. When benefits are paid, the State's eligibility system, Unified Nevada Information Technology for Youth (UNITY) calculates and assigns the Federal and State share of benefits paid. Of 40 cases reviewed, the auditor found two cases were determined ineligible by the Division of Child and Family Services eligibility staff, and were noted as such within the UNITY system. However, due to what appears to be a systemic error within the UNITY system, those cases were processed as eligible for Federal reimbursement.

The errors were the result of a software problem that did not adjust claims appropriately when an eligibility determination record was deleted. The general scenario was as follows:

- IV-E Eligibility was established for the child.
- Adoptions subsidies were paid.
- The original IV-E Determination was deleted.

At this point UNITY should have adjusted the original claims so that general funds were used instead of IV-E.

Corrective Action:

UNITY programmers have identified the software that needs modification. Those modifications are in progress. Once the fixed code is implemented, the problem will not occur again. The cases that were

identified have all been reversed and the IV-E funds received in error will be returned on the next CB-496.

Finding 2013-032 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services enhance controls and procedures to identify reporting requirements and ensure timely reporting of subaward information.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The auditor tested one of six first-tier subawards exceeding \$25,000 that was funded under the Federal Assistance Identification Number (FAIN) 1201NV1201, and obligated July 1, 2012. The obligation information was reported in the FFATA Subaward Reporting System (FSRS). However, the obligation information was not reported until February 26, 2013, which is after the required submission date of August 30, 2012.

Corrective Action:

The Division of Child and Family Services will enhance procedures and controls to comply with the FFATA guidelines identified in the Grants Management Unit's Technical Guidelines.

Finding 2013-033 resulted in the following recommendation:

We recommend the Nevada Division of Child and Family Services enhance procedures to ensure staff monitors subrecipient audits in the interim years between on-site monitoring reviews.

DCFS Response:

The Division of Child and Family Services has reviewed and accepts this finding. The Division of Child and Family Services has a policy to perform an on-site monitoring review of each subrecipient every two years, and at that time the most recent audit reports are reviewed. The auditors selected two of eight recipients to test. One of the subrecipients tested did not have an on-site review performed during fiscal year 2013, and there was no documentation available to support that the State ensured the audit was completed, if required.

Corrective Action:

The Division of Child and Family Services will enhance procedures to ensure audit reports are reviewed for those subrecipients that are not required to have an on-site monitoring review during the fiscal year. The Grants Management Unit will check the Federal Audit Clearinghouse at the end of each state fiscal year for every sub-recipient to ensure compliance.

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 Priscilla Colegrove, Administrative Services Officer III at 775 684-47953 or by email at pcolegrove@dcfs.nv.gov.

Sincerely,



Amber Howell, Administrator

cc: Debbie Clark, CPA, Kafoury, Armstrong & Co., CPA

Kafoury, Armstrong & Co.
March 11, 2013
Page 6 of 6

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
Danette Kluever, Deputy Administrator, Division of Child and Family Services
Jill Marano, Deputy Administrator, Division of Child and Family Services
Jeff Morrow, ASO IV, Division of Child and Family Services
Internal Auditor File, Division of Child and Family Services

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2013-034:

Children's Health Insurance Program (CHIP), CFDA 93.767

Grant Award Number: Potentially affects all grant awards under CFDA 93.767 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* for the Children's Health Insurance Program (CHIP) provides that States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. In addition, *OMB Circular A-133* requires that the State 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. Internal control over compliance requirements for Federal programs includes ensuring that transactions are properly recorded and accounted for and that the State is able to demonstrate compliance with laws, regulations, and other compliance requirements.

Condition and Context: As part of our audit procedures, we selected a sample of CHIP applications submitted by individuals for whom health assistance payments were made. The Nevada Division of Welfare and Supportive Services (DWSS) was unable to locate and provide the application and supporting worksheets used for determining eligibility and subsequent re-determinations for one of the 25 applications selected for testing. As a result, DWSS was unable to demonstrate compliance with the eligibility requirements of CHIP for this recipient. Health assistance payments for this CHIP recipient totaled \$1,821 for fiscal year 2013.

Questioned Costs: Undetermined, as the recipient noted above may have been eligible to receive health assistance payments during fiscal year 2013.

Effect: Amounts may have been paid for ineligible individuals.

Cause: The State agency that administered the CHIP during State fiscal year 2013 did not have adequate controls in place to ensure that documentation was maintained to support eligibility determinations and re-determinations performed.

Recommendation: We recommend that the State agency that administers the CHIP enhance controls to ensure that documentation is maintained to support eligibility determinations and re-determinations performed.

Management's Response: See management's response on pages 203 and 204.



Brian Sandoval
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF WELFARE AND SUPPORTIVE SERVICES
1470 College Parkway
Carson City, Nevada 89706-7924
(775) 684-0500 • Fax (775) 684-0680

MICHAEL J. WILLDEN
Director

MICHAEL J. McMAHON
Administrator

March 14, 2014

Ms. Henrietta Sam-Louie, Financial Management Branch Manager
Division of Medicaid and Children's Health Operations
Centers for Medicare and Medicaid Services-Region IX
90 7th St., Suite 5-300(5W)
San Francisco, California 94103-6707

Dear Ms. Sam-Louie,

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several grant programs administered by the Nevada State Division of Welfare and Supportive Services (DWSS) for the fiscal year ended June 30, 2013.

As of July 1, 2013 (FY14), the Nevada Legislature transferred program eligibility responsibility of the Children's Health Insurance Program (CHIP), CFDA 93.767 from the Division of Healthcare Financing and Policy (DHCFP) to DWSS. Kafoury, Armstrong's finding 2013-34 for the fiscal year ended June 30, 2013 concerns this program.

Cause:

The State agency that administered the CHIP during State fiscal year 2013 did not have adequate controls in place to ensure that documentation was maintained to support eligibility determinations and re-determinations performed.

Finding 2013-34 resulted in the following recommendation:

We recommend the Nevada Division of Welfare and Supportive Services, the State agency that currently administers, the CHIP, enhance controls to ensure that documentation is maintained to support eligibility determinations and re-determinations performed.

DWSS Response:

The auditors noted that adequate controls were not in place to ensure documentation was available to support eligibility determinations. DWSS believes the missing documentation is a direct result of the transition from one agency to another.

Corrective Action:

All files transferred from DHCFP, including any supporting documentation material within received by DWSS were converted into the agency's NOMADS system. As of February 2014, any new applications are submitted to Nevada Health Link and then forwarded electronically to DWSS office staff to process. Staff is able to view the "virtual" application to see if any further supporting information is needed in order to determine eligibility. DWSS is in the process of migrating its case files and within the next twelve months, all DWSS cases files will be maintained electronically. Any additional requested information received is scanned and placed in the electronic file, thus eliminating the need for paper files and reducing the potential for missing documentation. Any electronic file is able to be accessed and supporting documentation viewed to support eligibility determinations and re-determinations. DWSS will also monitor files by conducting internal management reviews to ensure proper supporting documentation is maintained. As DWSS did not have any findings on the programs administered and

Ms. Henrietta Sam-Louie
March 14, 2014
Page 2

maintained electronically by us during the fiscal year ended June 30, 2013, we believe the above cause and subsequent finding will not be an issue going forward. All corrective actions will be under the supervision of Naomi Lewis, Eligibility and Payments Chief and Acting Deputy Administrator Program and Field Services.

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

Sincerely,


Michael McMahon
Administrator

Cc: Shannon Ryan, Deputy Legislative Auditor
Michael J. Willden, Director, Department of Health and Human Services
Naomi Lewis, Acting Deputy Administrator Program and Field Services, Chief, Eligibility and Payments
Sue Smith, Deputy Administrator, Fiscal Services
Jeanne Gregg, Auditor III
Debbie Clark, Kafoury, Armstrong & Co.
Elizabeth Aiello, Deputy Administrator, DHCFP



**OFFICE OF THE
STATE CONTROLLER**

March 10, 2014

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, 2013.

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 CFR 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.

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www.controller.nv.gov

State's Response: The Department is currently in the process of revising our procedures. A Deputy Director has been assigned to ensure that corrective action is taken and implemented as soon as possible.

Finding Status: Not 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. While training has occurred, the Department has assigned a Deputy Director to ensure that all corrective actions are taken and fully implemented as soon as possible.

Finding Status: Not 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: 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 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: 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.i. 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 in place to ensure all information on the 425's are reviewed by the Fiscal Manager and reconciled with the Administrative Services Division and DAWN. The Energy Program Manager reviews and submits reports after they receive confirmation from the Fiscal Manager. These guidelines have been added to the NSOE Internal Controls and Policies and Procedures Manual.

Finding Status: Corrected.

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 in place to receive and review audit reports from all sub-recipients. These procedures were added to the NSOE Internal Controls and Policies and Procedures Manual immediately after receipt of the audit findings. A new form has also been created to report audit review information for each sub-recipient.

Finding Status: Not corrected.

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: During fiscal year 2013 the Department of Education discovered the draw procedures for the Child Nutrition program did not comply with internal controls, Department policies and procedures, and Federal requirements. The Department modified the draw procedures in early calendar year 2013. However, due to some staff turnover and vacant positions, there were periods in which staff did not fully adhere to or comply with the revised procedures. The Department is training all staff involved in draws for Federal programs on the revised policies and procedures and compliance will be strictly enforced. As of June 30, 2013 the status of this finding is partially corrected. The Child Nutrition program then moved to the Department of Agriculture beginning with Fiscal Year 2014 with a transition period through September 30, 2013.

Finding Status: Child Nutrition Cluster: Not corrected.
Title I, Part A Cluster: Corrected.
Special Education Cluster: 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 believes this finding has been corrected and appropriate information is provided on the awards and disbursements.

Finding Status: School Improvement Grants Cluster: Corrected.

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 Department of Education has policies and procedures to ensure that all financial reports submitted to a granting agency match the underlying accounting records. However, due to some staff turnover and vacant positions, there were periods in which staff did not fully adhere to or comply with the procedures in the area of Child Nutrition. The Department is training all staff involved in financial reporting for Federal programs on the policies and procedures and compliance will be strictly enforced.

Finding Status: Not 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 developed procedures to ensure that it is in compliance with OMB Circular A-133 subrecipient reporting requirements. The Division maintains records of all grant subrecipients which includes a record of when required single or program specific audits are due. The subrecipients are contacted when audit reports are not received within the required time period. The Administrative Services Officer IV reviews each audit finding with the Administrative Services Officer assigned to the identified budget account and an appropriate plan of action is developed, including required management decisions and necessary follow-up.

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 developed procedures to ensure that it is in compliance with OMB Circular A-133 subrecipient reporting requirements. The Division maintains records of all grant subrecipients which includes a record of when required single or program specific audits are due. The subrecipients are contacted when audit reports are not received within the required time period. The Administrative Services Officer IV reviews each audit finding with the Administrative Services Officer assigned to the identified budget account and an appropriate plan of action is developed, including required management decisions and necessary follow-up.

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 has reviewed its cost allocation methods with appropriate staff, reinforcing the requirement that only allocable costs should be charged to programs in accordance with relative benefits received. Additionally, the Division has

instituted internal audit procedures whereby program expenditures are reviewed to ensure accounting procedures have been followed, including appropriate cost allocations.

Finding Status: 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 11-56:

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: Nevada DETR's Financial Management (FM) Section implemented a process that involved downloading all expense and revenue totals by job number, which indicates fund source, to reconcile to all SARF's filed for FY 13.

Finding Status: Corrected.

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: Nevada DETR Financial Management (FM) did encounter some difficulties with its original planned solution (i.e. an automated system fix) and as a result, the Department is currently considering a variety of options, many of which are costly and time consuming. However, for the past several months, DETR FM implemented an interim solution which involved manually reviewing potential time coding discrepancies contained in a newly developed report. Discrepancies identified in

this report are checked monthly and as needed, time coding corrections are made. All DETR managers/staff have been made aware of the need to code timesheets correctly (via emails) and as a result, potential coding problems have been reduced. This process will continue until another solution is developed.

Finding Status: Not corrected.

Finding 12-4:

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 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.

State's Response: Nevada DETR's Financial Management (FM) Section implemented a process that involved downloading all expense and revenue totals by job number, which indicates fund source, to reconcile to all SARF's filed for FY 13.

Finding Status: Corrected.

Finding 12-5:

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 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 no less than \$16 per week nor more than the maximum weekly benefit amount.

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.

State's Response: Nevada DETR Employment Security Division (ESD) completed an itemized audit, and subsequently corrected all Alternate Base Period (APB) claims identified as having had an incorrect calculation when determining EUC weekly benefit amounts in March 2013. All claims which may have been affected by the programming error were reviewed and corrected. Collection/recovery efforts were pursued where appropriate. In September 2013, Nevada ESD implemented its new Unemployment Insurance System (UInv). The new operating system (UInv) will handle the complexities of the UI claims procedures more precisely than the thirty year old GUIDE system that required constant oversight and management of its functionality. Nevada ESD does not anticipate any difficulties calculating benefit payment amounts across all UI programs now that UInv has been implemented.

Finding Status: Corrected.

Finding 12-6:

Program: Department of Employment, Training and Rehabilitation
Unemployment Insurance:
Unemployment Insurance, CFDA 17.225
ARRA – Unemployment Insurance, CFDA 17.225A

Finding Summary: 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.

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.

State's Response: Nevada DETR's BAM Supervisor continues to review 100% of the BAM files and procedures dictate that all pertinent documents pertaining to the BAM investigation are placed in the BAM file. Nevada DETR is implementing its new computer software system during the first week of September 2013 and all documents will be scanned, indexed and stored electronically in the proper file.

Finding Status: Not corrected.

Finding 12-7:

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 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 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.

State's Response: Nevada DETR samples each TAPR before submission to verify that all correct wage data including the Employed in fourth quarter and Wages fourth quarter after exit is reported accurately.

Finding Status: Corrected.

Finding 12-8:

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
WIA Dislocated Worker Formula Grants, CFDA 17.278

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 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.

State's Response: The correctness of the ETA-9130 reports is checked on two (2) separate occasions. First, Nevada DETR's Financial Management (FM) staff prepare the ETA-9130 reports using the sub-grantee information. Second, the Workforce Investment Support Services (WISS) unit will then review this same information prior to submission and make any needed changes/corrections.

Finding Status: Corrected.

Finding 12-9:

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
WIA Dislocated Worker Formula Grants, CFDA 17.278

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 Data (WIASRD). The WIASRD records contain relevant data on participants' characteristics, activities and outcomes, and that data is included in the Table 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.

State's Response: Nevada DETR management has followed the recommendation to establish verification procedures wherein the loading of WRIS wage files are checked for accuracy and are added one quarter at a time to eliminate the issue of wage errors.

Finding Status: Not corrected.

Finding 12-10:

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-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.

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.

State's Response: Nevada DETR Financial Management (FM) did encounter some difficulties with its original planned solution (i.e. an automated system fix) and as a result, the Department is currently considering a variety of options, many of which are costly and time consuming. However, for the past several months, DETR FM implemented an interim solution which involved manually reviewing potential time coding discrepancies contained in a newly developed report. Discrepancies identified in this report are checked monthly and as needed, time coding corrections are made. All DETR managers/staff have been made aware of the need to code timesheets correctly (via emails) and as a result, potential coding problems have been reduced. This process will continue until another solution is developed.

Finding Status: Not corrected.

Finding 12-11:

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* 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 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.

State's Response: The Job Number reconciliations are required with all draw requests for expenditures initiated at the Management Analyst III or IV level. Depending on who is initiating the draw request the Management Analyst IV or Administrative Services Officer III approves the request. The draws are then given to the Management Analyst II to draw and the job number is reconciled, verified against the revenue drawn, also. This process has been documented in the updated procedures and is being followed.

Finding Status: Not corrected.

Finding 12-12:

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. 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)).

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.

State's Response: The eligibility staff provided training to the Rural Child Welfare Offices which service 15 of the 17 counties in Nevada between February 11 and April 11, 2013 on the court language that is required. When they met with Elko Staff the Juvenile Court Master and District Attorney in Elko County attended. Case reviews have been initiated by the Eligibility Supervisor on a quarterly basis and making sure appropriate language is in the court order as part of the review. DCFS presented the findings to the Nevada Court Improvement Program (CIP) and continues our partnership with the CIP to make further court improvements in Nevada

Finding Status: Not corrected.

Finding 12-13:

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* 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.

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.

State's Response: The quarterly CB496 for the quarter ending March 31, 2013 was adjusted to reflect the correct numbers that should have been reported on the original CB496 through the prior-quarter adjustments process. The CB496 is being verified and signed by the Administrative Services Officer III after completion by the Management Analyst IV. The amounts calculated for the Rural Cost Allocation and the amounts reported by the Counties are placed on the Roll-Up as reported. The totals from the Roll-Up are reported on the CB496. The CB496 is certified and submitted in the OLDC system by the Administrative Services Officer III after entry by the Management Analyst IV. The procedure has been updated to include these changes and is being followed.

Finding Status: Corrected.

Finding 12-14:

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: 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; 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 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.

State's Response: The Treasury-State Agreement was received and reviewed. The Division determined that draw requirements would be followed. Maintenance payments are being drawn on a weekly basis. Administrative draws are being done on a bi-weekly basis with true up at the end of the quarter after cost allocation has processed.

Finding Status: Corrected.

Finding 12-15:

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: 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; 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.

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.

State's Response: Job number reconciliations are required for all draws to reconcile expenditures to the funds being requested. True up reconciliations are being done at the end of each quarter and a job number reconciliation accompanies the draw request.

Finding Status: Corrected.

Finding 12-16:

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: 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.

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.

State's Response: DCFS took immediate action to implement corrective action steps to ensure all draw requests moving forward match the applicable program area under Title IV-E and the CFDA number is recorded appropriately for Foster Care and Adoption Assistance Programs.

Finding Status: Corrected.

Finding 12-17:

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 with 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 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.

State's Response: The Division has developed procedures to ensure that it is in compliance with OMB Circular A-133 subrecipient reporting requirements. The Division maintains records of all grant subrecipients which includes a record of when required single or program specific audits are due. The subrecipients are contacted when audit reports are not received within the required time period. The Administrative Services Officer IV reviews each audit finding with the Administrative Services Officer assigned to the identified budget account and an appropriate plan of action is developed, including required management decisions and necessary follow-up.

Finding Status: Corrected.

Finding 12-18:

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 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.

State's Response: The Division has reviewed its cost allocation methods with appropriate staff, reinforcing the requirement that only allocable costs should be charged to programs in accordance with relative benefits received. Additionally, the Division has instituted internal audit procedures whereby program expenditures are reviewed to ensure accounting procedures have been followed, including appropriate cost allocations.

Finding Status: Corrected.

Finding 12-19:

Program: Department of Health and Human Services, Aging and Disability Services Division 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

Finding Summary: 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.

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.

State's Response: Aging and Disability Services Division fiscal and program staff reviewed the questioned documents. The travel claim and 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.

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.

Finding Status: Requirement no longer relevant to the program as ARRA award period has ended.

Finding 12-20:

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: 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; 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) 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.

State's Response: During fiscal year 2013 the Department of Education discovered the draw procedures for the Child Nutrition program did not comply with internal controls, Department policies and procedures, and Federal requirements. The Department modified the draw procedures in early calendar year 2013. However, due to some staff turnover and vacant positions, there were periods in which staff did not fully adhere to or comply with the revised procedures. The Department is training all staff involved in draws for Federal programs on the revised policies and procedures and compliance will be strictly enforced. As of June 30, 2013 the status of this finding is partially corrected. The Child Nutrition program then moved to the Department of Agriculture beginning with Fiscal Year 2014 with a transition period through September 30, 2013.

Finding Status: Not corrected.

Finding 12-21:

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 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 1. 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.

State's Response: The Department of Education has policies and procedures to ensure that all financial reports submitted to a granting agency match the underlying accounting records. However, due to some staff turnover and vacant positions, there were periods in which staff did not fully adhere to or comply with the procedures in the area of Child Nutrition. The Department is training all staff involved in financial reporting for Federal programs on the policies and procedures and compliance will be strictly enforced.

Finding Status: Not corrected.

Finding 12-22:

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 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 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.

State's Response: The Department of Education transferred the responsibility for preparing SARFs for all programs to the Business Services Division, Department Support Team. Previously, Child Nutrition was the only program area with its own fiscal staff member that prepared SARF reports.

Finding Status: Not corrected.

Finding 12-23:

Program: Department of Education
School Improvement Grants Cluster:
School Improvement Grants, CFDA 84.377
ARRA – School Improvement Grants, Recovery Act, CFDA 84.388A

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 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.

State's Response: The Department believes this finding has been corrected and appropriate information is provided on the awards and disbursements.

Finding Status: Corrected.

Finding 12-24:

Program: Department of Administration
Education Jobs Fund, CFDA 84.410

Finding Summary: 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).

The supporting schedules of revenues and expenditures for the elementary/secondary and 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 percentage 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.

State's Response: 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.

Finding Status: Corrected.

Finding 12-25:

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 CFR 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: 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 shortly. 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 the Chief Construction Engineer, the Civil Rights Officer and Deputy Director.

Finding Status: Not corrected.

Finding 12-26:

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 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 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.

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. 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 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. Guidance will also be provided by the Chief Construction Engineer and a Deputy Director has been assigned to ensure all corrective actions are taken and implemented as soon as possible.

Finding Status: Not corrected.

Finding 12-27:

Program: Department of Conservation and Natural Resources, Environmental Protection 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: *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 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.

State's Response: 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. The underlying accounting records are then attached to the SF-425 document to be reviewed by the supervisor before approval.

Finding Status: Corrected.

Finding 12-28:

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 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.

State's Response: 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. Corrective action was completed in December 2012.

Finding Status: Corrected.

Finding 12-29:

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-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.

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% of 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.

State's Response: A revision has been made to the wording on the 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 had implemented procedures in December 2012 to record and report the in-kind match.

Finding Status: Corrected.

Finding 12-30:

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 include all activity of the reporting period, and are presented in accordance with program requirements.

The Nevada State Office of Energy is required to submit quarterly Standard Form (SF) 425 Financial Reports for the 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.

State's Response: The Nevada State Office of Energy enhanced the review process by revising our procedures to ensure that all information reported on the SF-425 are presented in accordance with the program requirements and include all activity of the reporting period. Emily Nunez, Fiscal Manager, works closely with Tiffany Greenameyer to compare and confirm reporting information. The SF-425 reports are now completed by Emily and Tiffany and are then provided to the Energy Program Manager for final review and approval prior to submission.

Finding Status: Corrected.

Finding 12-31:

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 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.

State's Response: The Nevada State Office of Energy implemented procedures to ensure that all sub-recipient audits are completed timely, audit findings related to sub-recipients are identified, and appropriate action is taken within the designated timeframe. Language has been added to the sub-recipient award notice requiring the sub-recipient 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 maintained in all sub-recipient files. The form provides for date of Single Audit, if findings were identified, if sub-recipient 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 maintains a sub-recipient audit schedule for the Office of Energy.

Finding Status: Not corrected.

Finding 12-32:

Program: Department of Public Safety, Division of Emergency Management Homeland Security
Homeland Security Grant Program, CFDA 97.067

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 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.

State's Response: The Division's Internal Controls and reconciliation procedures have been enhanced to ensure federal expenditures are accurately reported to the Controller's Office for inclusion on the SEFA.

Finding Status: Corrected.

Finding 12-33:

Program: Department of Public Safety, Division of Emergency Management Homeland Security
Homeland Security Grant Program, CFDA 97.067

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 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.

State's Response: The Division's written 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.

Finding Status: Corrected.

Finding 12-34:

Program: Nevada State Office of the Controller
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 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 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.

State's Response: The State Controller's Office has enhanced procedures regarding the accurate entry of SARFs. In addition, a Management Analyst has joined Controller's Operations staff, which allows for SARF entry by one staff member to be reviewed and verified by another, thereby eliminating data entry errors. This cross-checking will ensure that the information provided is entered exactly as it was received.

The Controller's Office continues to work toward automating the entire reporting process, which will also eliminate entry errors and allow for additional analytics to be performed by the Agencies and the Controller's Office simultaneously. The automation project is projected to be put into production by the end of State Fiscal Year 2014.

Finding Status: Corrected.

Sincerely,



Kim R. Wallin, CMA, CFM, CPA
Nevada State Controller