

Single Audit Report  
June 30, 2014

**State of Nevada**

State Of Nevada  
Single Audit Report  
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For The Year Ended June 30, 2014

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

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, 2014, 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.

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

- the financial statements of the Housing Division, which is both a major fund and 42.22 percent of the assets and deferred outflows of resources, 46.31 percent of net position, and 3.29 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 and deferred outflows of resources, net position, and revenues of the discretely presented component units;
- 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 deferred outflows of resources and the net position, and 2.61 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 67.20 percent of the assets and deferred outflows of resources, 67.87 percent of the net position and 48.16 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 27.19 percent of the assets and deferred outflows of resources, 28.69 percent of the net position and 37.78 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 and deferred outflows of resources, 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 and deferred outflows of resources, 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 opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is 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 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 presentation of the financial statements.

We believe that the audit evidence we have obtained, and the reports of other auditors, is sufficient and appropriate to provide a basis for our audit 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, 2014, 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.

## **Emphasis of Matter**

As described in Note 17 to the financial statements, the State of Nevada adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 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 75 through 79 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 19, 2014, 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 and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Reno, Nevada  
December 19, 2014

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# 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, 2014. Readers should consider this information in conjunction with the additional information furnished in the letter of transmittal.

## HIGHLIGHTS

### **Government-wide:**

*Net Position* – The assets and deferred outflows of the State exceeded liabilities and deferred inflows at the close of the fiscal year ended June 30, 2014 by \$5.8 billion (reported as *net position*). Of the \$5.8 billion in net position, \$1.5 billion was restricted and not available to meet the State's general obligations. Also unavailable to meet the State's general obligations is \$4.7 billion net investment in capital assets.

*Changes in Net Position* – The State's total net position increased by \$494.5 million in fiscal year 2014. The net position of governmental activities increased by \$318.6 million and net position of the business-type activities increased by \$175.9 million.

### **Fund-level:**

At the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.7 billion, an increase of \$161.8 million from the prior year. Of the ending fund balance, \$1.1 billion is available for spending and \$639.0 million is not in spendable form, primarily municipal securities and permanent fund principal. The spendable portion consists of: \$662.7 million restricted to expenditures for specific purposes such as transportation, capital projects, and health and human services; \$541.3 million committed to expenditures for specific purposes such as servicing bonds payable, health and education development, and fiscal emergencies; and a negative \$135.8 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 \$378.9 million, an increase of \$175.6 million from the prior year, primarily from increases in net position of \$135.6 million in the Unemployment Compensation Fund. Of the combined ending net position, \$224.3 million represents a deficit in net position-unrestricted of which \$237.8 million is from the Unemployment Compensation Fund.

The State's fiduciary funds reported combined ending net position of \$49.0 billion, an increase of \$7.7 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 increased by \$486.1 million or 14.8% from \$3.3 billion in fiscal year 2013 to \$3.8 billion in fiscal year 2014.

## 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, liabilities, and deferred outflows/inflows of resources with the difference being 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 is 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 outflows and inflows 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, 2014 and 2013 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

<b>State of Nevada's Net Position-Primary Government</b> (expressed in thousands)							
	Governmental Activities		Business-type Activities		Total		Total Change
	2014	2013	2014	2013	2014	2013	2014-2013
<b>Assets</b>							
Current and other assets	\$ 3,604,390	\$ 3,406,393	\$ 1,918,000	\$ 1,846,659	\$ 5,522,390	\$ 5,253,052	\$ 269,338
Net capital assets	6,020,493	5,816,201	12,321	12,471	6,032,814	5,828,672	204,142
<b>Total assets</b>	<b>9,624,883</b>	<b>9,222,594</b>	<b>1,930,321</b>	<b>1,859,130</b>	<b>11,555,204</b>	<b>11,081,724</b>	<b>473,480</b>
<b>Total deferred outflows of resources</b>	<b>13,978</b>	<b>-</b>	<b>1,612</b>	<b>-</b>	<b>15,590</b>	<b>-</b>	<b>15,590</b>
<b>Liabilities</b>							
Current liabilities	1,513,414	1,445,839	69,382	69,073	1,582,796	1,514,912	67,884
Long-term liabilities	2,710,278	2,680,905	1,483,298	1,586,713	4,193,576	4,267,618	(74,042)
<b>Total liabilities</b>	<b>4,223,692</b>	<b>4,126,744</b>	<b>1,552,680</b>	<b>1,655,786</b>	<b>5,776,372</b>	<b>5,782,530</b>	<b>(6,158)</b>
<b>Total deferred inflows of resources</b>	<b>704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>704</b>	<b>-</b>	<b>704</b>
<b>Net Position</b>							
Net investment in capital assets	4,672,738	4,357,735	3,434	3,422	4,676,172	4,361,157	315,015
Restricted	866,071	741,250	599,806	560,410	1,465,877	1,301,660	164,217
Unrestricted (deficit)	(124,344)	(3,135)	(223,987)	(360,488)	(348,331)	(363,623)	15,292
<b>Total net position</b>	<b>\$ 5,414,465</b>	<b>\$ 5,095,850</b>	<b>\$ 379,253</b>	<b>\$ 203,344</b>	<b>\$ 5,793,718</b>	<b>\$ 5,299,194</b>	<b>\$ 494,524</b>

**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 \$5.8 billion at the end of 2014, compared with \$5.3 billion at the end of the previous year.

The largest portion of the State's net position (\$4.7 billion or 80.7%) 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 (\$1.5 billion or 25.3%) 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 \$348.3 million or (6.0%), as compared to a \$364.0 million deficit in the prior year.

The unrestricted net position in governmental activities decreased by \$121.2 million from a deficit of \$3.1 million to a deficit of \$124.3 million. In business-type activities the unrestricted net position increased by \$136.5 million from a deficit of \$360.5 million to a deficit of \$224.0 million. The decrease in governmental activities was a result of several factors, including a decrease in the unrestricted fund balances of the General Fund of \$102.1 million and a decrease of \$14.6 million in deferred inflows of resources for unavailable revenue recognized as revenue in the government-wide statement of net activities. Of the \$14.6 million in deferred inflows of resources for unavailable revenue, approximately \$1.0 million is from rebates for health and social services and \$12.3 million is 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 \$135.6 million.

**Changes in State of Nevada's Net Position-Primary Government**

*(expressed in thousands)*

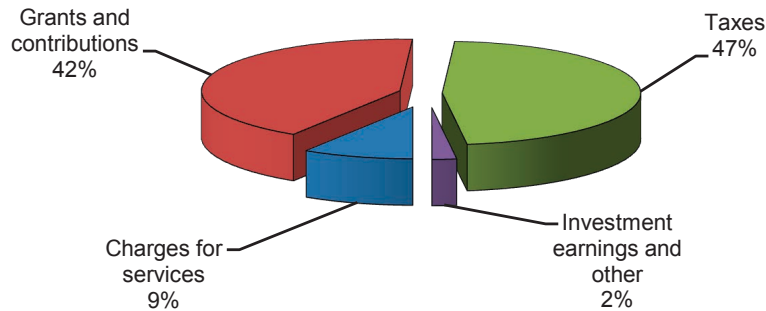
	Governmental Activities		Business-type Activities		Total		Total Change
	2014	2013	2014	2013	2014	2013	2014-2013
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 767,186	\$ 787,665	\$ 121,264	\$ 97,088	\$ 888,450	\$ 884,753	\$ 3,697
Operating grants and contributions	3,416,382	3,116,377	196,653	523,895	3,613,035	3,640,272	(27,237)
Capital grants and contributions	9,349	56,003	-	-	9,349	56,003	(46,654)
General revenues							
Sales and use taxes	1,085,656	1,027,124	-	-	1,085,656	1,027,124	58,532
Gaming taxes	922,999	901,085	-	-	922,999	901,085	21,914
Modified business taxes	382,976	386,928	-	-	382,976	386,928	(3,952)
Insurance premium taxes	256,587	252,195	-	-	256,587	252,195	4,392
Property and transfer taxes	209,784	215,211	-	-	209,784	215,211	(5,427)
Motor and special fuel taxes	269,544	269,232	-	-	269,544	269,232	312
Other taxes	688,399	685,650	537,372	566,137	1,225,771	1,251,787	(26,016)
Investment earnings	5,462	2,892	-	-	5,462	2,892	2,570
Other	160,298	229,733	-	-	160,298	229,733	(69,435)
<b>Total Revenues</b>	<b>8,174,622</b>	<b>7,930,095</b>	<b>855,289</b>	<b>1,187,120</b>	<b>9,029,911</b>	<b>9,117,215</b>	<b>(87,304)</b>
<b>Expenses</b>							
General government	202,620	229,136	-	-	202,620	229,136	(26,516)
Health and social services	3,784,055	3,464,334	-	-	3,784,055	3,464,334	319,721
Education and support services	2,326,498	2,290,844	-	-	2,326,498	2,290,844	35,654
Law, justice and public safety	662,330	657,728	-	-	662,330	657,728	4,602
Regulation of business	303,020	85,688	-	-	303,020	85,688	217,332
Transportation	327,519	505,354	-	-	327,519	505,354	(177,835)
Recreation and resource development	139,188	134,578	-	-	139,188	134,578	4,610
Interest on long-term debt	121,224	106,126	-	-	121,224	106,126	15,098
Unallocated depreciation	2,150	2,023	-	-	2,150	2,023	127
Unemployment insurance	-	-	552,246	867,600	552,246	867,600	(315,354)
Housing	-	-	31,954	34,247	31,954	34,247	(2,293)
Water loans	-	-	7,837	8,942	7,837	8,942	(1,105)
Workers' compensation and safety	-	-	26,715	28,685	26,715	28,685	(1,970)
Higher education tuition	-	-	21,325	25,081	21,325	25,081	(3,756)
Other	-	-	32,944	32,107	32,944	32,107	837
<b>Total Expenses</b>	<b>7,868,604</b>	<b>7,475,811</b>	<b>673,021</b>	<b>996,662</b>	<b>8,541,625</b>	<b>8,472,473</b>	<b>69,152</b>
Change in net position before contributions to permanent funds, special items and transfers	306,018	454,284	182,268	190,458	488,286	644,742	(156,456)
Contributions to permanent fund	5,908	5,376	-	-	5,908	5,376	532
Special item - Settlement	-	-	330	-	330	-	330
Transfers	6,689	(22,229)	(6,689)	22,229	-	-	-
<b>Change in net position</b>	<b>318,615</b>	<b>437,431</b>	<b>175,909</b>	<b>212,687</b>	<b>494,524</b>	<b>650,118</b>	<b>(155,594)</b>
Net position - beginning of year	5,095,850	4,658,419	203,344	(9,343)	5,299,194	4,649,076	650,118
<b>Net position - end of year</b>	<b>\$ 5,414,465</b>	<b>\$ 5,095,850</b>	<b>\$ 379,253</b>	<b>\$ 203,344</b>	<b>\$ 5,793,718</b>	<b>\$ 5,299,194</b>	<b>\$ 494,524</b>

**Changes in Net Position:**

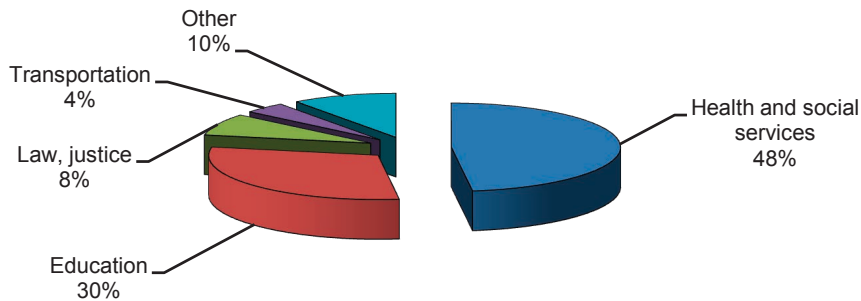
Total government-wide revenues decreased by \$87.3 million during the current year. The decrease in revenues is a result of several factors, including decreases of \$73.9 million in federal funding, \$42.0 million in unclaimed property revenues, \$20.8 million in agreement income and \$8.9 million in settlement income. Revenues increased primarily in sales and use taxes of \$58.5 million and gaming taxes of \$21.9 million.

*Governmental activities* – The net position increased by \$318.6 million or 6.3%. Approximately 47.0% of the total revenue came from taxes, while 42.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 9.0% of the total revenues (see chart below). The State’s governmental activities expenses cover a range of services and the largest expenses were 48.0% for health and social services and 30.0% for education (see chart below). In 2014, governmental activities expenses exceeded program revenues, resulting in the use of \$3.7 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:

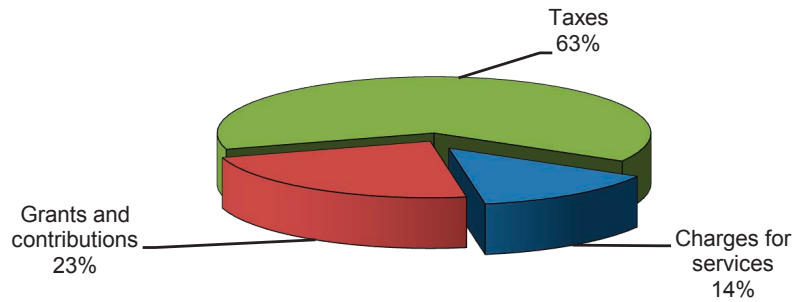


The following table depicts the total program revenues and expenses for each function of governmental activities:

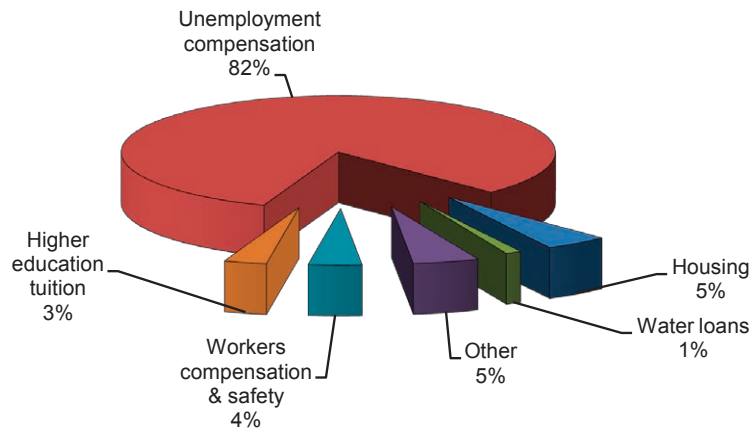
	Expenses	Revenue
General government	\$ 202,620	\$ 188,641
Health and social services	3,784,055	2,747,384
Education	2,326,498	263,811
Law, justice	662,330	333,595
Regulation	303,020	221,233
Transportation	327,519	347,859
Recreation	139,188	89,128
<b>Total</b>	<b>\$ 7,745,230</b>	<b>\$ 4,191,651</b>

*Business-type activities* – The net position increased by \$175.9 million. Approximately 63.0% of the total revenue came from taxes, while 23.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 14.0% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were 82.0% for unemployment compensation (see chart below). In 2014, business-type activities expenses exceeded program revenues by \$355.1 million. Of this amount, unemployment compensation was the largest, with net expenses of \$406.2 million, resulting in the use of \$537.1 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:

<b>Revenues and Expenses by Function: Business-type Activities</b> <i>(expressed in thousands)</i>		
	Expenses	Revenue
Unemployment compensation	\$ 552,246	\$ 146,035
Housing	31,954	29,176
Water loans	7,837	17,329
Workers compensation	26,715	43,235
Higher education tuition	21,325	47,018
Other	32,944	35,124
<b>Total</b>	<b>\$ 673,021</b>	<b>\$ 317,917</b>

The State government’s overall financial position improved over the past fiscal year, with a \$318.6 million or 6.3% increase in the net position of the governmental activities and a \$175.9 million or 86.5% increase in the net position of the business-type activities. Nevada continues to recover at a slow 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 \$79.0 million or 2.1%, compared to an increase of \$135.8 million or 3.8% in the prior fiscal year. In addition, General Fund intergovernmental revenues increased \$294.9 million primarily due to Medicaid receipts. In the Highway Fund, revenues increased \$21.7 million in other taxes, \$10.9 million in driver’s license and motor carrier fees and \$10.0 million in motor and special fuels 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 \$1.7 billion, an increase of \$161.8 million from the prior year. Of these total ending fund balances, \$639.0 million (37.4%) is nonspendable, either due to its form or legal constraints, and \$662.7 million (38.8%) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$541.3 million (31.7%) 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 \$28.1 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 account 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. There were no additions to the Stabilization Account in the current fiscal year as compared to \$28.1 million in the prior fiscal year. The remaining negative \$135.8 million (7.9%) 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 \$274.8 million compared to \$371.0 million in the prior fiscal year. The fund balance decreased from operations by \$96.2 million, or 25.9%, during the current fiscal year. Reasons for this decrease are discussed in further detail below. The negative unassigned fund balance of \$135.8 million is mostly due to an accrual for Medicaid expenditures and for unearned gaming taxes and mining taxes already collected and budgeted but not yet recognized as revenues.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2014 and 2013 (expressed in thousands). Other financing sources are not included.

<b>General Fund Revenues</b> (expressed in thousands)						
	2014		2013		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 913,960	13.5%	\$ 882,575	13.6%	\$ 31,385	3.6%
Sales taxes	1,081,735	15.9%	1,024,624	15.8%	57,111	5.6%
Modified business taxes	384,886	5.7%	386,610	6.0%	(1,724)	-0.5%
Insurance premium taxes	263,532	3.9%	248,512	3.8%	15,020	6.0%
Property and transfer taxes	63,528	0.9%	57,325	0.9%	6,203	10.8%
Motor and special fuel taxes	2,671	0.0%	2,693	0.0%	(22)	-0.8%
Other taxes	544,436	8.0%	604,968	9.3%	(60,532)	-10.0%
Intergovernmental	3,118,097	46.0%	2,823,208	43.5%	294,889	10.5%
Licenses, fees and permits	289,652	4.3%	279,736	4.3%	9,916	3.5%
Sales and charges for services	58,016	0.9%	57,267	0.9%	749	1.3%
Interest and investment income	9,913	0.1%	9,620	0.2%	293	3.0%
Other revenues	53,555	0.8%	107,361	1.7%	(53,806)	-50.1%
<b>Total revenues</b>	<b>\$ 6,783,981</b>	<b>100.0%</b>	<b>\$ 6,484,499</b>	<b>100.0%</b>	<b>\$ 299,482</b>	<b>4.6%</b>

The total General Fund revenues increased \$299.4 million or 4.6%. The largest increases in revenue sources were \$294.9 million or 10.5% in intergovernmental revenues, \$57.1 million or 5.6% in sales taxes, \$31.4 million or 3.6% in gaming taxes, fees and licenses and \$15.0 million or 6.0% in insurance premium taxes. Intergovernmental revenues primarily increased by \$343.0 million in receipts for Medicaid offset by a decrease of \$35.6 million in county revenues. The largest decline in revenue sources was \$60.5 million or 10.0% in other taxes, which includes a \$52.2 million or 45.0% decrease in mineral tax revenues due to a decline in the price of gold resulting in mining companies ceasing the production and/or selling of gold. In other revenues, unclaimed property revenues decreased by \$42.0 million due to a decline in abandoned property received by the State coupled with an increase in claims paid out for abandoned property.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2014 and 2013 (expressed in thousands). Other financing uses are not included.

**General Fund Expenditures (expressed in thousands)**

	2014		2013		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 112,076	1.6%	\$ 142,506	2.2%	\$ (30,430)	-21.4%
Health and social services	3,490,663	50.1%	3,154,196	49.3%	336,467	10.7%
Education and support services	30,192	0.4%	52,475	0.8%	(22,283)	-42.5%
Law, justice and public safety	435,425	6.2%	420,597	6.6%	14,828	3.5%
Regulation of business	272,317	4.0%	62,351	1.0%	209,966	336.7%
Recreation, resource development	104,852	1.5%	96,833	1.5%	8,019	8.3%
Intergovernmental	2,523,472	36.2%	2,469,662	38.6%	53,810	2.2%
Debt service	3,716	0.0%	3,270	0.0%	446	13.6%
Total expenditures	<u>\$ 6,972,713</u>	<u>100.0%</u>	<u>\$ 6,401,890</u>	<u>100.0%</u>	<u>\$ 570,823</u>	<u>8.9%</u>

The total General Fund expenditures increased 8.9%. Health and social services expenditures increased \$336.5 million or 10.7%. The largest portion of this amount was for the Medicaid program. The net increase in remaining expenditures was \$234.3 million with the largest increase of \$210.0 million occurring in regulation of business expenditures due to the commodity food and school lunch programs moving into the Department of Agriculture.

*The State Highway Fund* is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance increased \$204.7 million during the current fiscal year, a 137.4% increase, as compared to a 3.3% decrease in the prior year. This was primarily due to a decrease in transportation expenditures of \$125.4 million or 21.7%. Expenditures decreased as fewer contracts for road projects were entered into due to the uncertainty of future federal funding. Intergovernmental revenues decreased by \$37.4 million primarily due to a \$21.3 million decrease in federal aid. The remaining 111.2% increase in other taxes is due to the Legislative allocation to the Highway Fund of \$22.1 million of Motor Vehicle Government Services tax commissions and penalties previously allocated to the General Fund. The nonspendable fund balance is \$18.2 million, the restricted fund balance is \$325.7 million and the committed fund balance is \$9.9 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 \$15.2 million during the current fiscal year, which is a 5.6% decrease from the prior year. This decrease was primarily due to the refunding of local government bonds.

*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 \$5.8 million during the current fiscal year, which is a 1.8% increase from the prior year. This increase is primarily due to \$4.0 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 \$328.6 million, the net position of the nonmajor funds is \$50.3 million and the total combined net position of all enterprise funds is \$378.9 million. The combined net position of the enterprise funds increased by \$175.6 million in 2014. The major enterprise funds are discussed below:

*The Housing Division Fund* was created for the purpose of making available additional funds to assist private enterprise and governmental agencies in providing safe and sanitary housing facilities and provides low interest loans for first-time homebuyers with low or moderate incomes. The net assets decreased by \$2.7 million, or 1.4%, resulting in an ending net position of \$190.2 million. Revenues from interest on loans decreased by 25.5% due to loan delinquencies reflecting Nevada's high and continuing unemployment and foreclosure rate, along with a reduction in interest and investment income of 24.9%. Operating expenses decreased due to the repayment of \$151.0 million in bonds which reduced interest payments by 23.0%.



*The Unemployment Compensation Fund* accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net position increased by \$135.6 million during the current fiscal year, which is a 36.3% increase from the prior year. Operating revenue exceeded expenses by \$144.4 million for the fiscal year. Fiscal year 2014 total claims expense of \$536.8 million was less than the fiscal year 2013 total claims expense of \$849.3 million, or a 36.8% decrease. The leading cause for the net position increase is due to a reduction of \$6.4 million in interest expense on federal loan advances as well as a reduction in unemployment claims. During the fiscal year 2014, the State issued \$548.9 million in special revenue bonds for the purpose of repaying the entire amount of advances due the U.S. Department of Labor in accordance with the provisions of Title XII, Section 1201 of the Social Security Act. The repayment of federal advances was made using \$540.9 million of the proceeds from these special revenue bonds.

*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 \$8.1 million during the current fiscal year, for a final net position of \$332.7 million, which is a 2.5% 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 sixteenth enrollment period during the fiscal year with 1,255 new enrollments. The net position increased \$28.0 million or 181.4% during the current fiscal year. This increase is mainly due to \$2.0 million in new tuition contracts, a \$3.6 million reduction in tuition benefits expense and \$8.8 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 fleet services 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 2014, total internal service fund net position increased by \$26.0 million, for a final net position of \$85.8 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 \$19.4 million during the current fiscal year, which is a 20.3% increase from the prior year, leaving final net position of \$114.7 million. This year's increase was caused primarily by a 3.3% 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 decreased by \$2.0 million or 3.5% during fiscal year 2014, to a total deficit of \$54.2 million. The decrease is the result of an increase in net premium income of 27.9% and a decrease of 27% in claims expense.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund budgetary revenues and other financing sources were \$617.9 million or 7.1% less than the final budget, primarily because actual intergovernmental revenues received 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 amount recorded 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 \$584.7 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 \$584.7 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2014, amount to \$7.1 billion, net of accumulated depreciation of \$1.1 billion, leaving a net book value of \$6.0 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 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, or approximately at, the condition level established. The following table shows the State's policy and the condition level of the roadways and bridges:

<b><u>Condition Level of the Roadways</u></b>					
<b>Percentage of roadways with an IRI of less than 80</b>					
	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 2012 condition assessment	84%	85%	84%	32%	9%
Actual results of 2011 condition assessment	56%	79%	67%	30%	9%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
<b><u>Condition Level of the Bridges</u></b>					
<b>Percentage of substandard bridges</b>					
	<u>2012</u>	<u>2011</u>	<u>2009</u>		
State Policy-maximum percentage	10%	10%	10%		
Actual results condition assessment	4%	4%	5%		

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2014 by \$72.4 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 2014 (expressed in millions):



	<u>Expended by June 30, 2014</u>	<u>Total Budget</u>
Nevada State College Facilities	\$ 4.5	\$ 47.2
Healthcare Reform Software	23.2	44.7
Unemployment Insurance Software Development	27.3	40.4
New Readiness Center North Las Vegas	29.4	35.8
Field Maintenance Shop Facility - LV Readiness Center	23.9	27.0
Elko County Readiness Center	15.9	16.6
Southern Nevada Veterans' Cemetery Expansion	8.3	11.4
NDOT Integrated Right of Way Software	8.2	9.3
Southern Desert CC Finish Core Expansion	4.7	5.0

The total increase in the State's capital assets for the primary government for the current fiscal year was \$289.6 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$71.9 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 \$4.2 billion in long-term liabilities outstanding, compared to \$4.3 billion last year, a decrease of \$74.0 million or 1.7% 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+, Aaa and AAA, 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 2014 fiscal year were (expressed in thousands):

Unemployment Compensation Fund Special Revenue Bonds	11/06/2013	\$ 548,900
Lease Revenue Refunding Certificates of Participation - Capital Complex Building 1 Project	11/26/2013	17,740
Lease Revenue Refunding Certificates of Participation - Casa Grande Project	11/26/2013	18,045
Lease Revenue Certificates of Participation - Nevada State College Project	11/26/2013	50,445
Highway Revenue Bonds - Motor Vehicle Fuel Tax	03/19/2014	86,020
General Obligation Capital Improvement and Cultural Affairs Bonds	04/22/2014A	51,385
General Obligation Natural Resources and Refunding Bonds	04/22/2014B	5,580
General Obligation Open Space, Parks, and Natural Resources Bonds	04/22/2014C	2,185
General Obligation Safe Drinking Water Revolving Fund Matching and Refunding Bonds	04/22/2014D	5,145
Housing Multi-Unit Henderson Family	08/15/2013	9,309
Housing Multi-Unit Agate Avenue	11/27/2013	55
Housing Multi-Unit Landsman Gardens	12/12/2013	55
Housing Multi-Unit Landsman Gardens	12/12/2013	6,300
Housing Multi-Unit Orvis Ring	04/17/2014	3,650

Additional information on the State's long-term debt obligations can be found in Note 9 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](http://www.controller.nv.gov).

# Statement of Net Position

June 30, 2014 (Expressed in Thousands)



NEVADA

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 1,701,899	\$ 341,461	\$ 2,043,360	\$ 270,259
Investments	542,058	697,879	1,239,937	1,233,813
Internal balances	3,602	(3,602)	-	-
Due from component unit	5,795	-	5,795	-
Due from primary government	-	-	-	27,444
Accounts receivable	75,304	7,390	82,694	48,232
Taxes/assessments receivable	837,072	202,001	1,039,073	-
Intergovernmental receivables	376,206	886	377,092	37,087
Accrued interest and dividends	4,539	12,241	16,780	27
Contracts receivable	-	39,030	39,030	-
Mortgages receivable	-	461,065	461,065	-
Notes/loans receivable	16,357	64,118	80,475	12,887
Other receivables	326	-	326	83,162
Inventory	27,563	1,420	28,983	6,713
Prepaid expenses	13,666	257	13,923	44,141
<i>Restricted assets:</i>				
Cash	-	-	-	86,767
Investments	-	93,839	93,839	38,515
Other assets	3	15	18	54,207
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	4,766,647	10,851	4,777,498	145,040
Other capital assets, net	1,253,846	1,470	1,255,316	1,805,209
<b>Total assets</b>	<b>9,624,883</b>	<b>1,930,321</b>	<b>11,555,204</b>	<b>3,893,503</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	13,978	1,612	15,590	14,106
<b>Total deferred outflows of resources</b>	<b>13,978</b>	<b>1,612</b>	<b>15,590</b>	<b>14,106</b>
<b>Liabilities</b>				
Accounts payable	938,617	49,956	988,573	56,274
Accrued payroll and related liabilities	71,617	1,421	73,038	69,874
Intergovernmental payables	145,150	35	145,185	-
Interest payable	17,876	8,258	26,134	11,891
Due to component units	27,411	-	27,411	-
Due to primary government	-	-	-	5,795
Contracts/retentions payable	39,021	-	39,021	-
Unearned revenues	199,430	9,700	209,130	51,070
Other liabilities	74,292	12	74,304	50,549

Long-term liabilities:					
<i>Portion due or payable within one year:</i>					
Reserve for losses	64,074	-	64,074	-	-
Obligations under capital leases	2,269	-	2,269	-	954
Compensated absences	59,659	1,256	60,915	-	31,090
Benefits payable	-	15,960	15,960	-	-
Bonds payable	168,772	170,140	338,912	-	29,043
Certificates of participation payable	2,756	-	2,756	-	-
<i>Portion due or payable after one year:</i>					
Federal advances	-	-	-	-	8,209
Reserve for losses	48,458	-	48,458	-	-
Obligations under capital leases	22,825	-	22,825	-	1,634
Compensated absences	37,467	745	38,212	-	17,079
Benefits payable	-	169,193	169,193	-	-
Bonds payable	2,209,310	1,125,433	3,334,743	-	587,719
Certificates of participation payable	94,655	-	94,655	-	-
Due to component unit	33	-	33	-	-
Arbitrage rebate liability	-	571	571	-	-
<b>Total liabilities</b>	<b>4,223,692</b>	<b>1,552,680</b>	<b>5,776,372</b>	<b>921,181</b>	
<b>Deferred Inflows of Resources</b>					
Taxes	55	-	55	-	-
Fines and forfeitures	649	-	649	-	-
Donations	-	-	-	-	10,071
<b>Total deferred inflows of resources</b>	<b>704</b>	<b>-</b>	<b>704</b>	<b>10,071</b>	
<b>Net Position</b>					
Net investment in capital assets	4,672,738	3,434	4,676,172	1,462,227	
Restricted for:					
Security of outstanding obligations	-	186,644	186,644	-	-
Workers' compensation	-	37,115	37,115	-	-
Tuition contract benefits	-	43,355	43,355	-	-
Capital projects	-	-	-	57,594	
Debt service	26,312	-	26,312	21,116	
Education and support services	2,276	-	2,276	345	
Transportation	231,488	-	231,488	-	-
Recreation and resource development	61,075	332,690	393,765	-	-
Law, justice and public safety	43,730	-	43,730	-	-
Health and social services	165,269	-	165,269	-	-
Regulation of business	10,918	2	10,920	-	-
Scholarships	-	-	-	404,249	
Loans	-	-	-	8,296	
Operations and maintenance	-	-	-	712	
Research and development	-	-	-	8,126	
Other purposes	124	-	124	2,949	
Funds held as permanent investments:					
Nonexpendable	324,859	-	324,859	353,220	
Expendable	20	-	20	-	
Unrestricted (deficit)	(124,344)	(223,987)	(348,331)	657,523	
<b>Total net position</b>	<b>\$ 5,414,465</b>	<b>\$ 379,253</b>	<b>\$ 5,793,718</b>	<b>\$ 2,976,357</b>	

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

# Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2014 (Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Component Units	
<b>Primary Government</b>									
Governmental activities:									
General government	\$ 202,620	\$ 174,265	\$ 14,376	\$ -	\$ (13,979)	\$ -	\$ (13,979)	\$ -	
Health and social services	3,784,055	172,459	2,574,925	-	(1,036,671)	-	(1,036,671)	-	
Education and support services	2,326,498	3,252	260,549	10	(2,062,687)	-	(2,062,687)	-	
Law, justice and public safety	662,330	273,895	55,268	4,432	(328,735)	-	(328,735)	-	
Regulation of business	303,020	78,222	143,011	-	(81,787)	-	(81,787)	-	
Transportation	327,519	14,520	329,150	4,189	20,340	-	20,340	-	
Recreation and resource development	139,188	50,573	37,837	718	(50,060)	-	(50,060)	-	
Interest on long-term debt	121,224	-	1,266	-	(119,958)	-	(119,958)	-	
Unallocated depreciation	2,150	-	-	-	(2,150)	-	(2,150)	-	
<b>Total governmental activities</b>	<b>7,868,604</b>	<b>767,186</b>	<b>3,416,382</b>	<b>9,349</b>	<b>(3,675,687)</b>	<b>-</b>	<b>(3,675,687)</b>	<b>-</b>	
Business-type activities:									
Unemployment insurance	552,246	1,393	144,643	-	-	(406,210)	(406,210)	-	
Housing	31,954	16,003	13,172	-	-	(2,779)	(2,779)	-	
Water loans	7,837	8,924	8,405	-	-	9,492	9,492	-	
Workers' compensation and safety	26,715	40,671	2,564	-	-	16,520	16,520	-	
Higher education tuition	21,325	22,063	24,955	-	-	25,693	25,693	-	
Other	32,944	32,210	2,914	-	-	2,180	2,180	-	
<b>Total business-type activities</b>	<b>673,021</b>	<b>121,264</b>	<b>196,653</b>	<b>-</b>	<b>-</b>	<b>(355,104)</b>	<b>(355,104)</b>	<b>-</b>	
<b>Total primary government</b>	<b>\$ 8,541,625</b>	<b>\$ 888,450</b>	<b>\$ 3,613,035</b>	<b>\$ 9,349</b>	<b>(3,675,687)</b>	<b>(355,104)</b>	<b>(4,030,791)</b>	<b>-</b>	
<b>Total component units</b>	<b>\$ 1,667,114</b>	<b>\$ 715,072</b>	<b>\$ 436,873</b>	<b>\$ 10,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(504,992)</b>	

General revenues:					
Taxes:					
Gaming	892,545	-	-	892,545	-
Sales and use	971,627	-	-	971,627	-
Modified business	382,976	-	-	382,976	-
Insurance premium	256,587	-	-	256,587	-
Property and transfer	63,528	-	-	63,528	-
Motor and special fuel	2,671	-	-	2,671	-
Other	357,671	252	-	357,923	-
Restricted for unemployment compensation:					
Other taxes	-	537,120	-	537,120	-
Restricted for educational purposes:					
Sales and use taxes	114,029	-	-	114,029	-
Gaming taxes	30,454	-	-	30,454	-
Other taxes	141,118	-	-	141,118	-
Restricted for debt service purposes:					
Property and transfer taxes	134,628	-	-	134,628	-
Motor and special fuel taxes	70,101	-	-	70,101	-
Other	17,531	-	-	17,531	-
Restricted for recreation and resource development purposes:					
Other taxes	33,772	-	-	33,772	-
Restricted for health and social services purposes:					
Property and transfer taxes	11,628	-	-	11,628	-
Other taxes	109,783	-	-	109,783	-
Restricted for transportation purposes:					
Motor and special fuel taxes	196,772	-	-	196,772	-
Other taxes	41,167	-	-	41,167	-
Restricted for regulation purposes:					
Other taxes	4,888	-	-	4,888	-
Settlement income	38,524	-	-	38,524	-
Unrestricted investment earnings	5,462	-	-	5,462	162,738
Gain on sale of assets	-	-	-	-	2,815
Other general revenues	104,243	-	-	104,243	4,773
Contributions to permanent funds	5,908	-	-	5,908	9,264
Payments from State of Nevada	-	-	-	-	500,562
Special item - settlement	-	330	-	330	-
Transfers	6,689	(6,689)	-	-	-
Total general revenues, special items, and transfers	3,994,302	531,013	-	4,525,315	680,152
Change in net position	318,615	175,909	-	494,524	175,160
Net position - beginning	5,095,850	203,344	-	5,299,194	2,801,197
<b>Net position - ending</b>	<b>\$ 5,414,465</b>	<b>\$ 379,253</b>	<b>\$</b>	<b>\$ 5,793,718</b>	<b>\$ 2,976,357</b>

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

# Balance Sheet Governmental Funds

June 30, 2014

	General Fund	State Highway	Municipal Bond Bank
<b>Assets</b>			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 522,152,415	\$ 365,197,429	\$ 1,572
Cash in custody of other officials	3,920,704	171,584	-
Investments	10,858,183	-	255,620,000
<i>Receivables:</i>			
Accounts receivable	46,934,158	1,225,699	-
Taxes receivable	793,109,109	39,874,795	-
Intergovernmental receivables	348,551,673	17,415,864	-
Accrued interest and dividends	2,603,250	-	1,240,225
Notes/loans receivable	16,267,054	-	-
Other receivables	15,830	-	-
Due from other funds	44,683,647	6,328,629	1,358
Due from fiduciary funds	370,568	-	-
Due from component units	211,086	2,056	-
Inventory	10,957,867	15,856,583	-
Advances to other funds	3,174,989	-	-
Prepaid items	10,210,922	2,312,017	-
<b>Total assets</b>	<b>\$ 1,814,021,455</b>	<b>\$ 448,384,656</b>	<b>\$ 256,863,155</b>
<b>Liabilities</b>			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 394,088,818	\$ 19,016,915	\$ -
Accrued payroll and related liabilities	50,159,682	16,541,337	-
Intergovernmental payables	127,175,516	16,524,572	-
Interest payable	-	-	-
Contracts/retentions payable	244,046	33,927,838	-
Due to other funds	21,309,312	2,519,302	-
Due to fiduciary funds	500,920,577	815,134	-
Due to component units	14,196,223	1,029,366	-
Unearned revenues	183,732,200	511,288	-
Other liabilities	50,703,990	1,201,169	-
<b>Total liabilities</b>	<b>1,342,530,364</b>	<b>92,086,921</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>			
<i>Unavailable revenue:</i>			
Taxes	76,197,535	268,218	-
Intergovernmental	98,865,681	270	-
Licenses, fees and permits	4,120,704	-	-
Sales and charges for services	6,533,975	58,117	-
Settlement income	-	-	-
Interest	411,022	231,732	1,240,535
Other	9,799,836	1,982,483	-
Taxes	55,145	-	-
Fines and forfeitures	649,031	-	-
<b>Total deferred inflows of resources</b>	<b>196,632,929</b>	<b>2,540,820</b>	<b>1,240,535</b>
<b>Fund Balances</b>			
Nonspendable	39,255,213	18,168,600	255,620,000
Restricted	65,341,718	325,732,934	-
Committed	306,050,398	9,855,381	2,620
Unassigned	(135,789,167)	-	-
<b>Total fund balances</b>	<b>274,858,162</b>	<b>353,756,915</b>	<b>255,622,620</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,814,021,455</b>	<b>\$ 448,384,656</b>	<b>\$ 256,863,155</b>

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



<u>Permanent School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 11,859,405	\$ 455,085,748	\$ 1,354,296,569
34,248,489	104,262,958	142,603,735
274,075,515	1,503,907	542,057,605
660	21,982,056	70,142,573
-	4,088,292	837,072,196
357,342	9,009,024	375,333,903
693,568	2,112	4,539,155
-	-	16,267,054
-	310,000	325,830
30,079	16,662,816	67,706,529
-	864,807	1,235,375
5,402,968	430	5,616,540
-	485,916	27,300,366
-	903,819	4,078,808
-	612,383	13,135,322
<u>\$ 326,668,026</u>	<u>\$ 615,774,268</u>	<u>\$ 3,461,711,560</u>
\$ -	\$ 7,793,973	\$ 420,899,706
-	3,038,629	69,739,648
-	1,312,560	145,012,648
-	2,386,356	2,386,356
-	4,848,628	39,020,512
2,024,484	42,468,874	68,321,972
-	5,602	501,741,313
-	12,185,669	27,411,258
-	1,243,211	185,486,699
244,622	22,142,027	74,291,808
<u>2,269,106</u>	<u>97,425,529</u>	<u>1,534,311,920</u>
-	-	76,465,753
-	-	98,865,951
-	-	4,120,704
-	3,796	6,595,888
-	19,000,000	19,000,000
7,014	366,276	2,256,579
660	350,143	12,133,122
-	-	55,145
-	-	649,031
<u>7,674</u>	<u>19,720,215</u>	<u>220,142,173</u>
324,391,246	1,566,310	639,001,369
-	271,655,892	662,730,544
-	225,406,322	541,314,721
-	-	(135,789,167)
<u>324,391,246</u>	<u>498,628,524</u>	<u>1,707,257,467</u>
<u>\$ 326,668,026</u>	<u>\$ 615,774,268</u>	<u>\$ 3,461,711,560</u>

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



NEVADA

June 30, 2014

**Total fund balances - governmental funds**

\$ 1,707,257,467

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	\$ 149,573,677	
Construction in progress	186,824,131	
Infrastructure assets	3,808,689,158	
Rights-of-way	620,527,855	
Buildings	1,643,589,580	
Improvements other than buildings	119,941,176	
Furniture and equipment	347,973,833	
Software costs	168,060,486	
Accumulated depreciation/amortization	<u>(1,050,128,433)</u>	
Total capital assets		5,995,051,463

Some of the State's revenues collected after year-end are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable deferred inflows of resources in the funds.

219,437,997

Intergovernmental receivable not providing current resources.

221,045

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.

85,510,648

The loss on early retirement of debt is reported as a deferred outflow of resources 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.

13,978,220

Certain liabilities for settlement agreements are not due and payable in the current period and therefore are not reported in the funds.

(4,713,384)

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	(2,372,318,649)	
Accrued interest on bonds	(15,489,911)	
Certificates of participation	(97,410,877)	
Capital leases	(23,248,640)	
Compensated absences	(93,810,418)	
Total long-term liabilities	<u>(2,602,278,495)</u>	(2,602,278,495)

**Net position of governmental activities**

\$ 5,414,464,961

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, 2014

	General Fund	State Highway	Municipal Bond Bank
<b>Revenues</b>			
Gaming taxes, fees, licenses	\$ 913,960,497	\$ -	\$ -
Sales taxes	1,081,735,280	-	-
Modified business taxes	384,885,778	-	-
Insurance premium taxes	263,531,578	-	-
Property and transfer taxes	63,528,021	-	-
Motor and special fuel taxes	2,670,546	196,771,953	-
Other taxes	544,436,050	41,152,882	-
Intergovernmental	3,118,097,338	337,794,426	-
Licenses, fees and permits	289,651,654	194,200,165	-
Sales and charges for services	58,015,816	15,445,946	-
Interest and investment income	9,913,524	(1,975,551)	11,075,052
Settlement income	-	-	-
Land sales	-	-	-
Other	53,555,289	16,364,166	-
<b>Total revenues</b>	<b>6,783,981,371</b>	<b>799,753,987</b>	<b>11,075,052</b>
<b>Expenditures</b>			
<i>Current:</i>			
General government	112,075,644	-	-
Health and social services	3,490,662,679	-	-
Education and support services	30,192,041	-	-
Law, justice and public safety	435,425,591	159,597,058	-
Regulation of business	272,316,673	-	-
Transportation	-	452,820,764	-
Recreation and resource development	104,852,466	-	-
Intergovernmental	2,523,471,979	78,360,779	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	1,821,252	-	-
Interest, fiscal charges	1,309,192	1,787	-
Debt issuance costs	92,113	654,614	-
Arbitrage payments	493,602	-	-
<b>Total expenditures</b>	<b>6,972,713,232</b>	<b>691,435,002</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	(188,731,861)	108,318,985	11,075,052
<b>Other Financing Sources (Uses)</b>			
Sale of general obligation bonds	3,140,000	86,020,000	-
Sale of general obligation refunding bonds	-	-	-
Premium on general obligation bonds	206,121	14,653,279	-
Payment to refunded bond agent	-	-	-
Sale of certificates of participation	-	-	-
Sale of refunding certificates of participation	-	-	-
Premium on certificates of participation	-	-	-
Payment to refunded certificates of participation agent	-	-	-
Sale of capital assets	218,806	61,035	-
Transfers in	119,805,531	3,972,267	-
Transfers out	(30,799,275)	(8,276,144)	(26,280,391)
<b>Total other financing sources (uses)</b>	<b>92,571,183</b>	<b>96,430,437</b>	<b>(26,280,391)</b>
Net change in fund balances	(96,160,678)	204,749,422	(15,205,339)
Fund balances, July 1	371,018,840	149,007,493	270,827,959
<b>Fund balances, June 30</b>	<b>\$ 274,858,162</b>	<b>\$ 353,756,915</b>	<b>\$ 255,622,620</b>

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



Permanent School Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 13,863,433	\$ 927,823,930
-	-	1,081,735,280
-	-	384,885,778
-	-	263,531,578
-	146,255,683	209,783,704
-	70,100,866	269,543,365
-	106,603,199	692,192,131
-	96,435,263	3,552,327,027
-	24,549,211	508,401,030
-	16,860,355	90,322,117
1,551,338	4,832,902	25,397,265
-	40,120,320	40,120,320
1,932,509	-	1,932,509
4,003,179	9,354,259	83,276,893
<u>7,487,026</u>	<u>528,975,491</u>	<u>8,131,272,927</u>
-	681,161	112,756,805
-	103,165,238	3,593,827,917
-	652,998	30,845,039
-	27,043,743	622,066,392
-	21,121,493	293,438,166
-	-	452,820,764
-	27,829,075	132,681,541
-	36,195,140	2,638,027,898
-	29,740,827	29,740,827
-	164,200,000	166,021,252
-	105,560,279	106,871,258
-	1,535,041	2,281,768
-	236,602	730,204
-	<u>517,961,597</u>	<u>8,182,109,831</u>
<u>7,487,026</u>	<u>11,013,894</u>	<u>(50,836,904)</u>
-	51,885,000	141,045,000
-	4,125,000	4,125,000
-	6,152,793	21,012,193
-	(4,424,628)	(4,424,628)
-	50,445,000	50,445,000
-	35,785,000	35,785,000
-	2,794,120	2,794,120
-	(42,799,477)	(42,799,477)
-	55,559	335,400
-	68,414,610	192,192,408
(1,654,534)	(120,896,584)	(187,906,928)
<u>(1,654,534)</u>	<u>51,536,393</u>	<u>212,603,088</u>
5,832,492	62,550,287	161,766,184
318,558,754	436,078,237	1,545,491,283
<u>\$ 324,391,246</u>	<u>\$ 498,628,524</u>	<u>\$ 1,707,257,467</u>

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



NEVADA

For the Fiscal Year Ended June 30, 2014

**Net change in fund balances - total governmental funds** \$ 161,766,184

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	\$ 271,655,152	
Depreciation expense	<u>(68,585,172)</u>	
Excess of capital outlay over depreciation expense		203,069,980

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	(141,045,000)	
Refunding bonds issued	(4,125,000)	
Certificates of participation issued	(50,445,000)	
Refunding certificates of participation issued	(35,785,000)	
Premiums on debt issued	<u>(23,806,313)</u>	
Total bond proceeds		(255,206,313)

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	161,301,677	
Certificates of participation retirement	2,385,000	
Payments to the bond refunding agent	47,224,105	
Capital lease payments	<u>1,599,048</u>	
Total long-term debt repayment		212,509,830

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. 25,661,809

Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" and are not reported as revenues in the governmental funds. Unavailable deferred inflows of resources decreased by this amount. (7,240,655)

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 change in net assets differs from the change in fund balance by the cost of the asset sold. (4,317,777)

In the statement of activities, prior year's unamortized debt issuance costs are expensed to comply with GASB 65 (11,770,670)

Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities. (17,716,457)

Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities. 18,207,668

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 asset	(268,106)	
Increase in accrued interest payable	(6,931)	
Increase in compensated absences	(2,402,991)	
Decrease in arbitrage liability	1,042,557	
Increase in settlement agreement liability	<u>(4,713,384)</u>	
Total additional expenditures		<u>(6,348,855)</u>

**Change in net position of governmental activities** \$ 318,614,744

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

# Statement of Net Position Proprietary Funds

June 30, 2014

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	
<b>Assets</b>							
<b>Current assets:</b>							
<i>Cash and pooled investments:</i>							
Cash with treasurer	\$ 588,175	\$ -	\$101,644,655	\$ 2,074,457	\$ 65,245,137	\$ 169,552,424	\$204,998,533
Cash in custody of other officials	573,607	170,891,408	-	229,963	213,281	171,908,259	-
Investments	52,468,527	-	-	191,919,850	-	244,388,377	-
<i>Receivables:</i>							
Accounts receivable	-	-	-	-	7,374,449	7,374,449	928,586
Assessments receivable	-	202,001,593	-	-	225	202,001,818	-
Intergovernmental receivables	-	-	610,045	-	276,116	886,161	651,015
Contracts receivable	-	-	-	8,924,543	-	8,924,543	-
Mortgages receivable	12,284,711	-	-	-	-	12,284,711	-
Accrued interest and dividends	7,767,643	-	4,054,939	418,700	-	12,241,282	-
Notes/loans receivable	-	-	-	-	-	-	5,000
Due from other funds	73,569	3,432,807	319,497	8,736	999,342	4,833,951	5,788,844
Due from fiduciary funds	-	-	-	-	15,241	15,241	2,997,085
Due from component units	-	-	-	-	-	-	178,233
Inventory	-	-	-	-	1,420,321	1,420,321	262,859
Prepaid items	-	-	3,724	1,490	251,359	256,573	530,929
<i>Restricted assets:</i>							
Investments	64,053,229	-	-	-	-	64,053,229	-
<b>Total current assets</b>	<b>137,809,461</b>	<b>376,325,808</b>	<b>106,632,860</b>	<b>203,577,739</b>	<b>75,795,471</b>	<b>900,141,339</b>	<b>216,341,084</b>
<b>Noncurrent assets:</b>							
Investments	160,404,377	-	293,086,497	-	-	453,490,874	-
<i>Receivables:</i>							
Contracts receivable	-	-	-	30,105,659	-	30,105,659	-
Mortgages receivable	448,779,941	-	-	-	-	448,779,941	-
Notes/loans receivable	51,853,147	-	12,265,132	-	-	64,118,279	85,000
<i>Restricted assets:</i>							
Investments	29,785,901	-	-	-	-	29,785,901	-
Other assets	-	-	-	-	15,000	15,000	2,565
<i>Capital assets:</i>							
Land	-	-	-	-	567,812	567,812	1,032,737
Buildings	-	-	-	-	3,388,840	3,388,840	20,392,485
Improvements other than buildings	-	-	-	-	630,647	630,647	3,839,621
Furniture and equipment	757,755	-	35,280	183,374	5,311,726	6,288,135	51,912,739
Software costs	-	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	-	10,283,035	10,283,035	-
Less accumulated depreciation/ amortization	(423,908)	-	(35,280)	(58,206)	(8,320,892)	(8,838,286)	(67,059,829)
<b>Total noncurrent assets</b>	<b>691,157,213</b>	<b>-</b>	<b>305,351,629</b>	<b>30,230,827</b>	<b>11,876,168</b>	<b>1,038,615,837</b>	<b>25,529,128</b>
<b>Total assets</b>	<b>828,966,674</b>	<b>376,325,808</b>	<b>411,984,489</b>	<b>233,808,566</b>	<b>87,671,639</b>	<b>1,938,757,176</b>	<b>241,870,212</b>
<b>Deferred Outflows of Resources</b>							
Deferred charge on refunding	-	-	1,534,336	-	77,771	1,612,107	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,534,336</b>	<b>-</b>	<b>77,771</b>	<b>1,612,107</b>	<b>-</b>



(Continued)

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	
<b>Liabilities</b>							
<b>Current liabilities:</b>							
<i>Accounts payable and accruals:</i>							
Accounts payable	\$ 27,019,342	\$ 9,947,876	\$ 56,898	\$ 100,356	\$ 12,730,873	\$ 49,855,345	\$ 7,212,133
Accrued payroll and related liabilities	110,937	-	21,331	9,587	1,279,351	1,421,206	1,877,538
Interest payable	3,585,414	3,431,245	1,197,816	-	43,322	8,257,797	-
Intergovernmental payables	-	-	9,275	-	25,346	34,621	75,057
Bank overdraft	-	-	-	-	-	-	4,099,293
Due to other funds	111,979	495,411	284,136	5,048,740	2,557,975	8,498,241	1,509,111
Due to fiduciary funds	-	-	-	-	99,501	99,501	13,179
Due to component units	-	-	-	-	200	200	32,842
Unearned revenues	-	-	-	-	9,700,100	9,700,100	13,943,456
Other liabilities	-	-	-	-	12,050	12,050	-
<i>Short-term portion of long-term liabilities:</i>							
Reserve for losses	-	-	-	-	-	-	64,074,268
Compensated absences	85,855	-	19,948	10,836	1,139,648	1,256,287	1,912,538
Benefits payable	-	-	-	15,959,629	-	15,959,629	-
Bonds payable	7,999,000	151,550,825	10,376,761	-	213,599	170,140,185	513,323
Obligations under capital leases	-	-	-	-	-	-	507,121
Arbitrage rebate liability	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>38,912,527</b>	<b>165,425,357</b>	<b>11,966,165</b>	<b>21,129,148</b>	<b>27,801,965</b>	<b>265,235,162</b>	<b>95,769,859</b>
<b>Noncurrent liabilities:</b>							
Advances from funds	-	-	-	-	248,040	248,040	3,830,768
Reserve for losses	-	-	-	-	-	-	48,457,633
Compensated absences	72,494	-	9,329	5,720	657,321	744,864	1,403,246
Benefits payable	-	-	-	169,193,767	-	169,193,767	-
Bonds payable	599,795,277	448,112,408	68,852,945	-	8,672,281	1,125,432,911	5,249,572
Obligations under capital leases	-	-	-	-	-	-	1,338,626
Arbitrage rebate liability	-	571,064	-	-	-	571,064	-
<b>Total noncurrent liabilities</b>	<b>599,867,771</b>	<b>448,683,472</b>	<b>68,862,274</b>	<b>169,199,487</b>	<b>9,577,642</b>	<b>1,296,190,646</b>	<b>60,279,845</b>
<b>Total liabilities</b>	<b>638,780,298</b>	<b>614,108,829</b>	<b>80,828,439</b>	<b>190,328,635</b>	<b>37,379,607</b>	<b>1,561,425,808</b>	<b>156,049,704</b>
<b>Net Position</b>							
Net investment in capital assets	333,847	-	-	125,168	2,975,288	3,434,303	17,966,764
<i>Restricted for:</i>							
Tuition contract benefits	-	-	-	43,354,763	-	43,354,763	-
Security of outstanding obligations	186,643,952	-	-	-	-	186,643,952	-
Workers' compensation	-	-	-	-	37,114,884	37,114,884	-
Revolving loans	-	-	332,690,386	-	-	332,690,386	-
Regulation of business	-	-	-	-	2,000	2,000	-
Unrestricted (deficit)	3,208,577	(237,783,021)	-	-	10,277,631	(224,296,813)	67,853,744
<b>Total net position</b>	<b>\$190,186,376</b>	<b>\$ (237,783,021)</b>	<b>\$332,690,386</b>	<b>\$ 43,479,931</b>	<b>\$ 50,369,803</b>	<b>378,943,475</b>	<b>\$ 85,820,508</b>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.						309,860	
Net position of business-type activities						<u>\$ 379,253,335</u>	

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

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



NEVADA

For the Fiscal Year Ended June 30, 2014

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues</b>							
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,771,137
Sales	-	-	-	21,911,502	6,833,167	28,744,669	2,173,236
Assessments	-	537,120,329	-	-	251,814	537,372,143	-
Charges for services	-	-	123,751	152,200	14,746,524	15,022,475	45,886,598
Rental income	-	-	-	-	83,159	83,159	19,533,976
Interest income on loans/notes	12,327,241	-	8,800,064	-	-	21,127,305	-
Federal government	-	142,725,174	8,741,917	-	-	151,467,091	-
Licenses, fees and permits	-	-	-	-	46,620,661	46,620,661	-
Fines	-	-	-	-	3,631,707	3,631,707	-
Other	3,675,884	1,392,558	-	-	960,027	6,028,469	362,159
<b>Total operating revenues</b>	<b>16,003,125</b>	<b>681,238,061</b>	<b>17,665,732</b>	<b>22,063,702</b>	<b>73,127,059</b>	<b>810,097,679</b>	<b>426,727,106</b>
<b>Operating Expenses</b>							
Salaries and benefits	1,846,457	-	358,841	153,803	34,523,583	36,882,684	35,097,145
Operating	5,387,857	-	4,253,012	512,194	14,950,056	25,103,119	35,626,287
Claims and benefits expense	-	536,790,532	-	20,641,465	6,231,281	563,663,278	201,366,533
Interest on bonds payable	17,881,780	-	2,388,311	-	-	20,270,091	-
Materials or supplies used	-	-	-	-	3,334,657	3,334,657	843,170
Servicers' fees	108,556	-	-	-	-	108,556	-
Depreciation	38,369	-	-	17,822	392,926	449,117	2,889,194
Bond issuance costs	2,138,319	-	840,690	-	-	2,979,009	-
Insurance premiums	-	-	-	-	-	-	128,459,800
<b>Total operating expenses</b>	<b>27,401,338</b>	<b>536,790,532</b>	<b>7,840,854</b>	<b>21,325,284</b>	<b>59,432,503</b>	<b>652,790,511</b>	<b>404,282,129</b>
Operating income (loss)	(11,398,213)	144,447,529	9,824,878	738,418	13,694,556	157,307,168	22,444,977
<b>Nonoperating Revenues (Expenses)</b>							
Interest and investment income	8,401,367	1,917,406	(336,845)	24,954,546	203,341	35,139,815	1,042,727
Interest expense	-	(11,853,517)	-	-	(350,877)	(12,204,394)	(8,582)
Bond issuance costs	-	(3,023,777)	-	-	(141,054)	(3,164,831)	-
Federal grant revenue	4,772,040	-	-	-	5,274,669	10,046,709	-
Federal grant expense	(4,572,464)	-	-	-	-	(4,572,464)	-
Reed Act expenses	-	(7,085)	-	-	-	(7,085)	-
Gain (loss) on disposal of assets	-	-	-	-	5,778	5,778	68,182
Arbitrage rebate	-	(571,064)	-	-	-	(571,064)	-
<b>Total nonoperating revenues (expenses)</b>	<b>8,600,943</b>	<b>(13,538,037)</b>	<b>(336,845)</b>	<b>24,954,546</b>	<b>4,991,857</b>	<b>24,672,464</b>	<b>1,102,327</b>
Income (loss) before transfers	(2,797,270)	130,909,492	9,488,033	25,692,964	18,686,413	181,979,632	23,547,304
<b>Special Items and Transfers</b>							
Special item - settlement	-	-	-	-	330,000	330,000	-
Transfers in	98,812	7,615,373	-	2,334,084	13,720	10,061,989	2,483,279
Transfers out	-	(2,936,617)	(1,431,820)	-	(12,382,547)	(16,750,984)	(79,764)
Change in net position	(2,698,458)	135,588,248	8,056,213	28,027,048	6,647,586	175,620,637	25,950,819
Net position, July 1	192,884,834	(373,371,269)	324,634,173	15,452,883	43,722,217	-	59,869,689
<b>Net position, June 30</b>	<b>\$ 190,186,376</b>	<b>\$ (237,783,021)</b>	<b>\$ 332,690,386</b>	<b>\$ 43,479,931</b>	<b>\$ 50,369,803</b>	<b>\$ -</b>	<b>\$ 85,820,508</b>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						289,010	
Change in net position of business-type activities						\$ 175,909,647	

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, 2014

	Enterprise Funds					Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds		
<b>Cash flows from operating activities</b>							
Receipts from customers and users	\$ 13,953,875	\$ 536,122,938	\$ 123,751	\$ 15,276,900	\$ 73,545,904	\$ 639,023,368	\$ 53,815,207
Receipts for interfund services provided	13,657	2,105,630	-	11,423	3,472,524	5,603,234	289,209,203
Receipts from component units	-	-	-	-	-	-	75,718,194
Receipts of principal on loans/notes	71,731,944	-	23,877,618	-	-	95,609,562	5,000
Receipts of interest on loans/notes	25,004,314	-	8,966,028	-	-	33,970,342	-
Receipts from federal government	-	142,725,174	8,550,689	-	-	151,275,863	-
Payments to suppliers, other governments and beneficiaries	(7,568,616)	(541,664,021)	(4,156,445)	(4,855,601)	(17,079,202)	(575,323,885)	(349,962,373)
Payments to employees	(1,683,923)	-	(353,316)	(148,872)	(33,224,222)	(35,410,333)	(35,065,725)
Payments for interfund services	(1,166,450)	-	(115,801)	(101,234)	(7,799,378)	(9,182,863)	(18,787,978)
Payments to component units	-	-	-	(5,523,385)	(42,151)	(5,565,536)	(160,207)
Purchase of loans and notes	(18,084,601)	-	(5,215,585)	-	-	(23,300,186)	-
Net cash provided by (used for) operating activities	82,200,200	139,289,721	31,676,939	4,659,231	18,873,475	276,699,566	14,771,321
<b>Cash flows from noncapital financing activities</b>							
Grant receipts	4,772,040	-	-	-	6,141,406	10,913,446	-
Advances from federal government	-	136,952,892	-	-	-	136,952,892	-
Proceeds from sale of bonds	19,369,386	608,303,783	5,295,055	-	-	632,968,224	-
Transfers and advances from other fund	98,812	17,424,412	-	2,334,084	13,720	19,871,028	5,156,555
Settlement receipts	-	-	-	-	330,000	330,000	-
Payment on federal advance	-	(710,909,538)	-	-	-	(710,909,538)	-
Payment on refunding bonds	-	-	(2,227,419)	-	-	(2,227,419)	-
Principal paid on noncapital debt	(151,461,337)	-	(10,535,000)	-	-	(161,996,337)	-
Interest paid on noncapital debt	(19,612,987)	(30,310,191)	(3,077,585)	-	-	(53,000,763)	-
Issue costs	-	(3,023,777)	-	-	-	(3,023,777)	-
Transfers and advances to other funds	-	(2,872,764)	(1,422,192)	-	(12,455,867)	(16,750,823)	(79,764)
Payments to other governments and organizations	(4,572,464)	-	-	-	-	(4,572,464)	-
Net cash provided by (used for) noncapital financing activities	(151,406,550)	15,564,817	(11,967,141)	2,334,084	(5,970,741)	(151,445,531)	5,076,791
<b>Cash flows from capital and related financing activities</b>							
Proceeds from sale of capital assets	-	-	-	-	17,845	17,845	93,522
Purchase of capital assets	(12,687)	-	-	(21,500)	(115,275)	(149,462)	(6,314,569)
Principal paid on capital debt	-	-	-	-	(175,670)	(175,670)	(1,312,224)
Interest paid on capital debt	-	-	-	-	(422,896)	(422,896)	(8,582)
Payments on construction projects	-	-	-	-	(94,561)	(94,561)	-
Net cash provided by (used for) capital and related financing activities	(12,687)	-	-	(21,500)	(790,557)	(824,744)	(7,541,853)
<b>Cash flows from investing activities</b>							
Proceeds from sale of investments	641,068,785	-	-	46,519,251	-	687,588,036	-
Purchase of investments	(529,670,119)	-	-	(55,941,366)	-	(585,611,485)	-
Interest, dividends and gains (losses)	8,979,163	1,917,406	(440,319)	3,086,277	136,609	13,679,136	948,744
Issuance of note to related party	(51,000,000)	-	-	-	-	(51,000,000)	-
Net cash provided by (used for) investing activities	69,377,829	1,917,406	(440,319)	(6,335,838)	136,609	64,655,687	948,744
Net increase (decrease) in cash	158,792	156,771,944	19,269,479	635,977	12,248,786	189,084,978	13,255,003
Cash and cash equivalents, July 1	1,002,990	14,119,464	82,375,176	1,668,443	53,209,632	152,375,705	191,743,530
<b>Cash and cash equivalents, June 30</b>	<b>\$ 1,161,782</b>	<b>\$ 170,891,408</b>	<b>\$101,644,655</b>	<b>\$ 2,304,420</b>	<b>\$ 65,458,418</b>	<b>\$ 341,460,683</b>	<b>\$ 204,998,533</b>



(Continued)

	Enterprise Funds					Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds		
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>							
Operating income (loss)	\$ (11,398,213)	\$ 144,447,529	\$ 9,824,878	\$ 738,418	\$ 13,694,556	\$ 157,307,168	\$ 22,444,977
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>							
Depreciation	38,369	-	-	17,822	392,926	449,117	2,889,194
Interest on bonds payable	17,881,780	-	2,388,311	-	-	20,270,091	-
Decrease (increase) in loans and notes receivable	66,673,067	-	18,662,033	-	-	85,335,100	5,000
Decrease (increase) in accrued interest and receivables	553,654	(284,319)	(25,264)	(6,775,379)	(5,142,662)	(11,673,970)	(601,435)
Decrease (increase) in inventory, deferred charges, other assets	2,138,319	-	778,151	(1,490)	(185,345)	2,729,635	(399,421)
Increase (decrease) in accounts payable, accruals, other liabilities	6,313,224	(4,873,489)	48,830	10,679,860	10,114,000	22,282,425	(9,566,994)
Total adjustments	93,598,413	(5,157,808)	21,852,061	3,920,813	5,178,919	119,392,398	(7,673,656)
Net cash provided by (used for) operating activities	\$ 82,200,200	\$ 139,289,721	\$ 31,676,939	\$ 4,659,231	\$ 18,873,475	\$ 276,699,566	\$ 14,771,321
<b>Noncash investing, capital and financing activities</b>							
Capital assets acquired under lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,139,826
Increase (decrease) in fair value of investments	-	-	-	21,891,757	-	21,891,757	-

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

# Statement of Fiduciary Net Position Fiduciary Funds



NEVADA

June 30, 2014

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 1,787,619	\$ -	\$ 6,516,804	\$ 86,478,471
Cash in custody of other officials	1,023,056,223	2,984,669	13,634,171	32,749,915
<i>Investments:</i>				
Investments	1,253,459	1,069,475,059	14,217,750,721	216,538,645
Fixed income securities	8,793,311,478	-	-	-
Marketable equity securities	14,355,624,219	-	-	-
International securities	7,680,531,021	-	-	-
Real estate	1,337,751,979	-	-	-
Alternative investments	1,111,639,569	-	-	-
Collateral on loaned securities	541,523,662	-	-	-
<i>Receivables:</i>				
Accrued interest and dividends	100,182,820	2,431,911	4,191,871	-
Taxes receivable	-	-	-	55,691,934
Trades pending settlement	136,040,433	4,665,484	432,252	-
Intergovernmental receivables	101,108,106	-	44,719	16,521
Contributions receivable	-	-	11,650,516	-
Other receivables	4,377	-	-	96,690
Due from other funds	127,599	-	162,669	501,563,725
Due from fiduciary funds	19,120,277	-	-	11,536,380
Due from component unit	1,330,987	-	-	1,202,326
Other assets	2,240,330	-	-	-
Furniture and equipment	39,174,100	-	48,222	-
Accumulated depreciation	(35,282,196)	-	(48,222)	-
<b>Total assets</b>	<b>35,210,526,062</b>	<b>1,079,557,123</b>	<b>14,254,383,723</b>	<b>905,874,607</b>
<b>Liabilities</b>				
<i>Accounts payable and accruals:</i>				
Accounts payable	12,786,796	143,255	2,702,584	-
Accrued payroll and related liabilities	-	-	714	1,025,191
Intergovernmental payables	-	3,717	18,597	561,623,730
Redemptions payable	-	-	6,210,610	-
Trades pending settlement	979,585,668	8,473,477	5,055,978	-
Bank overdraft	-	-	70,000	-
Obligations under securities lending	541,523,662	-	-	-
Due to other funds	2,997,085	26,917	1,223,699	-
Due to fiduciary funds	41,991	-	25,516	30,589,150
<i>Other liabilities:</i>				
Deposits	-	-	-	307,418,846
Other liabilities	-	-	-	5,217,690
<b>Total liabilities</b>	<b>1,536,935,202</b>	<b>8,647,366</b>	<b>15,307,698</b>	<b>905,874,607</b>
<b>Net Position</b>				
<i>Held in trust for:</i>				
Employees' pension benefits	33,672,067,369	-	-	-
OPEB benefits	1,523,491	-	-	-
Pool participants	-	1,070,909,757	-	-
Individuals	-	-	14,239,076,025	-
<b>Total net position</b>	<b>\$ 33,673,590,860</b>	<b>\$ 1,070,909,757</b>	<b>\$ 14,239,076,025</b>	<b>\$ -</b>

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, 2014

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>Additions</b>			
<i>Contributions:</i>			
Employer	\$ 1,444,909,524	\$ -	\$ -
Plan members	109,683,264	-	-
Participants	-	-	3,383,635,370
Repayment and purchase of service	42,752,491	-	-
<b>Total contributions</b>	<b>1,597,345,279</b>	<b>-</b>	<b>3,383,635,370</b>
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	4,189,445,061	27,109,713	1,581,529,549
Interest, dividends	802,785,110	13,289,158	267,582,885
Securities lending	8,075,580	-	-
Other	91,594,469	-	-
	5,091,900,220	40,398,871	1,849,112,434
Less investment expense:			
Other	(45,162,435)	(40,841)	-
<b>Net investment income</b>	<b>5,046,737,785</b>	<b>40,358,030</b>	<b>1,849,112,434</b>
<i>Other:</i>			
Investment from local governments	-	851,001,257	-
Reinvestment from interest income	-	431,158	-
Other	1,987,587	255	-
<b>Total other</b>	<b>1,987,587</b>	<b>851,432,670</b>	<b>-</b>
<b>Total additions</b>	<b>6,646,070,651</b>	<b>891,790,700</b>	<b>5,232,747,804</b>
<b>Deductions</b>			
Principal redeemed	-	914,016,727	2,215,500,426
Benefit payments	1,857,389,257	-	19,058,005
Refunds	23,047,743	-	-
Contribution distributions	990,121	-	-
Dividends to investors	-	482,697	-
Administrative expense	9,721,813	628,727	26,511,044
<b>Total deductions</b>	<b>1,891,148,934</b>	<b>915,128,151</b>	<b>2,261,069,475</b>
Change in net position	4,754,921,717	(23,337,451)	2,971,678,329
Net position, July 1	28,918,669,143	1,094,247,208	11,267,397,696
<b>Net position, June 30</b>	<b>\$ 33,673,590,860</b>	<b>\$ 1,070,909,757</b>	<b>\$ 14,239,076,025</b>

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

# Combining Statement of Net Position Discretely Presented Component Units



June 30, 2014

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
<b>Assets</b>				
Cash and pooled investments	\$ 12,903,667	\$ 257,355,000	\$ -	\$ 270,258,667
Investments	-	1,228,065,000	5,747,639	1,233,812,639
Due from primary government	75,116	27,369,184	-	27,444,300
Accounts receivable	11,977,437	36,254,816	-	48,232,253
Intergovernmental receivables	-	37,087,000	-	37,087,000
Accrued interest and dividends	26,743	-	-	26,743
Notes/loans receivable	-	12,887,000	-	12,887,000
Other receivables	-	83,162,000	-	83,162,000
Inventory	-	6,713,000	-	6,713,000
Prepaid expenses	44,141,235	-	-	44,141,235
<i>Restricted assets:</i>				
Cash	9,694,940	77,072,000	-	86,766,940
Investments	-	38,515,000	-	38,515,000
Other assets	-	54,207,000	-	54,207,000
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	-	145,040,000	-	145,040,000
Other capital assets, net	48,433,042	1,756,776,000	-	1,805,209,042
<b>Total assets</b>	<b>127,252,180</b>	<b>3,760,503,000</b>	<b>5,747,639</b>	<b>3,893,502,819</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	2,377,149	11,729,000	-	14,106,149
<b>Total deferred outflows of resources</b>	<b>2,377,149</b>	<b>11,729,000</b>	<b>-</b>	<b>14,106,149</b>
<b>Liabilities</b>				
Accounts payable	4,913,136	51,361,111	-	56,274,247
Accrued payroll and related liabilities	-	69,874,000	-	69,874,000
Interest payable	1,179,024	10,712,000	-	11,891,024
Due to primary government	43,923	347,889	-	391,812
Unearned revenues	147,593	50,922,000	-	51,069,593
Other liabilities	17,224,525	33,325,000	-	50,549,525
<i>Long-term liabilities:</i>				
<i>Portion due or payable within one year:</i>				
Obligations under capital leases	-	954,000	-	954,000
Compensated absences	206,870	30,883,000	-	31,089,870
Bonds payable	4,804,000	24,239,000	-	29,043,000
<i>Portion due or payable after one year:</i>				
Federal advances	-	8,209,000	-	8,209,000
Obligations under capital leases	-	1,634,000	-	1,634,000
Compensated absences	131,697	16,947,000	-	17,078,697
Bonds payable	93,162,365	494,557,000	-	587,719,365
Due to primary government	-	-	5,402,968	5,402,968
<b>Total liabilities</b>	<b>121,813,133</b>	<b>793,965,000</b>	<b>5,402,968</b>	<b>921,181,101</b>
<b>Deferred Inflows of Resources</b>				
Donations	-	10,071,000	-	10,071,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>10,071,000</b>	<b>-</b>	<b>10,071,000</b>
<b>Net Position</b>				
Net investment in capital assets	1,736,293	1,460,491,000	-	1,462,227,293
<i>Restricted for:</i>				
Capital projects	-	57,594,000	-	57,594,000
Debt service	-	21,116,000	-	21,116,000
Education and support services	-	-	344,671	344,671
Scholarships	-	404,249,000	-	404,249,000
Loans	-	8,296,000	-	8,296,000
Operations and maintenance	712,019	-	-	712,019
Research and development	8,125,768	-	-	8,125,768
Other purposes	-	2,949,000	-	2,949,000
<i>Funds held as permanent investments:</i>				
Nonexpendable	-	353,220,000	-	353,220,000
Unrestricted (deficit)	(2,757,884)	660,281,000	-	657,523,116
<b>Total net position</b>	<b>\$ 7,816,196</b>	<b>\$ 2,968,196,000</b>	<b>\$ 344,671</b>	<b>\$ 2,976,356,867</b>

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, 2014*

	Major Component Units		Nonmajor Component Unit	Total
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	
<b>Expenses</b>	\$ 67,051,303	\$ 1,600,030,000	\$ 33,092	\$ 1,667,114,395
<b>Program Revenues</b>				
Charges for services	65,182,858	649,889,000	-	715,071,858
Operating grants and contributions	-	436,873,000	-	436,873,000
Capital grants and contributions	-	10,177,000	-	10,177,000
<b>Total program revenues</b>	<b>65,182,858</b>	<b>1,096,939,000</b>	<b>-</b>	<b>1,162,121,858</b>
<b>General Revenues</b>				
Unrestricted investment earnings	26,735	162,017,000	694,088	162,737,823
Gain on sale of assets	-	2,815,000	-	2,815,000
Other general revenues	59,652	4,714,000	-	4,773,652
Contributions to permanent funds	-	9,264,000	-	9,264,000
Payments from State of Nevada	-	500,562,000	-	500,562,000
<b>Total general revenues</b>	<b>86,387</b>	<b>679,372,000</b>	<b>694,088</b>	<b>680,152,475</b>
Change in net position	(1,782,058)	176,281,000	660,996	175,159,938
Net position, July 1	9,598,254	2,791,915,000	(316,325)	2,801,196,929
<b>Net position, June 30</b>	<b>\$ 7,816,196</b>	<b>\$ 2,968,196,000</b>	<b>\$ 344,671</b>	<b>\$ 2,976,356,867</b>

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





(Note 1 Continued)

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 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.



(Note 1 Continued)

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.

*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, fleet services, 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 state agency fund for bonds, motor vehicle, and child support disbursement.

#### **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 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 13, 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



(Note 1 Continued)

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, Deferred Outflows/Inflows of Resources 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 inflows of resources, unavailable 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.

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 non-major governmental funds are recorded as expenditures at the time individual inventory items are consumed. Inventories are stated at cost on the first-in, first-out basis. Inventory items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.



(Note 1 Continued)

**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 will not be converted to cash.

**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.

**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 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 9.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. An example is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. An example is unavailable revenue, reported in the governmental funds balance sheet when revenue is measureable but not available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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





*(Note 1 Continued)*

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 12 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, 2014 is \$28,061,106.

**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. 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.

*(Note 1 Continued)*

*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 \$30,000 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 \$75,000, 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 \$13,533,722 were made in the 2014 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 assets, such as prepaid items, are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain unearned 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, 2014, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$338,984,492, of which \$11,621,357 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, 2014 NSHE's deposits in money market funds totaled \$208,105,000 and cash in bank was \$5,714,000. 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, Deferred Outflows/Inflows of Resources 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, Deferred Outflows/Inflows of Resources 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, 2014 (expressed in thousands):



(Note 3 Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 3,515,491	\$ 264,464	\$ 2,380,729	\$ 504,485	\$ 365,813
Negotiable certificate of deposit	25,000	25,000	-	-	-
U. S. agencies	5,099,659	1,284,779	631,568	224,495	2,958,817
Mutual funds	100,806	100,806	-	-	-
Asset backed corporate securities	522,285	180,955	181,124	144,795	15,411
Corporate bonds and notes	2,865,256	79,680	1,242,885	752,864	789,827
Commercial paper	65,242	65,242	-	-	-
Fixed income securities	27,549	27,549	-	-	-
International investments	332,555	2,000	165,522	75,312	89,721
Municipal bonds	666,026	34,983	82,612	78,743	469,688
Investment agreements	1,513	-	-	-	1,513
Other short-term investments	1,109,276	1,106,724	2,552	-	-
Collateralized mortgage obligations	236,752	26,413	33,794	18,355	158,190
Other investments	253	253	-	-	-
<b>Total</b>	<b>\$ 14,567,663</b>	<b>\$ 3,198,848</b>	<b>\$ 4,720,786</b>	<b>\$ 1,799,049</b>	<b>\$ 4,848,980</b>

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 36 days to 12 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, 2014 (expressed in thousands):

Less than 1 year	\$ 186,125
1 to 5 years	182,172
6 to 10 years	67,429
More than 10 years	-
<b>Total</b>	<b>\$ 435,726</b>

**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, 2014 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):



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2014



NEVADA

(Note 3 Continued)

	Quality Rating						Unrated
	AAA	AA	A	BBB	BB	B	
Negotiable certificate of deposit	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -
U.S. agencies	32,706	3,221,894	850,831	390	-	-	819,186
Mutual funds	100,806	-	-	-	-	-	13,955,127
Asset backed corporate securities	125,017	161,969	163,426	7,259	597	401	13,358
Corporate bonds and notes	92,328	435,843	1,199,521	1,084,766	7,576	-	35,200
Commercial paper	-	-	65,242	-	-	-	-
Fixed income securities	-	-	-	-	-	-	27,484
International investments	91,650	36,051	48,797	109,456	-	-	46,600
Municipal bonds	-	666,026	-	-	-	-	-
Investment agreements	-	-	947	566	-	-	-
Other short-term investments	82,940	9,302	54,497	-	-	-	1,045,403
Collateralized mortgage obligations	64,423	62,212	22,300	30,701	2,300	-	52,600
<b>Total</b>	<b>\$ 589,870</b>	<b>\$ 4,593,297</b>	<b>\$ 2,430,561</b>	<b>\$ 1,233,138</b>	<b>\$ 10,473</b>	<b>\$ 401</b>	<b>\$ 15,994,958</b>

As of June 30, 2014, the State of Nevada held debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The State recovered \$13.6 million from the bankruptcy proceedings. On July 14, 2014, the State sold its share of the bonds for an additional \$10 million. However, debt obligations of Lehman Brothers Holdings Inc. held by the State were marked to market at June 30, 2014.

*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, 2014 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	\$ 637,712
Partnerships	87,180
Endowment cash/cash equivalents	1,068
Trust(s)	6,024
Private commingled funds	101,970
<b>Total</b>	<b>\$ 833,954</b>

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer’s investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of the Housing Division and the Investment Trust Funds. At June 30, 2014, the following investments exceeded 5% of the Primary Government and Investment Trust Funds’ total investments (expressed in thousands):

	Fair Value	Percentage
<b>Primary government</b>		
Federal Home Loan Bank	\$ 868,694	25.49%
So Nevada Water Authority	196,035	5.75%
<b>Investment Trust Funds</b>		
Federal Home Loan Bank	285,950	25.03%
Federal National Mortgage Assoc	94,045	8.23%

At June 30, 2014, the following investments exceeded 5% of the Higher Education Tuition Trust’s total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corp-		
U.S. Agency Coupon Security	\$ 14,551	7.58%
Federal National Mortgage Association-		
Asset-Backed Mortgage Security	11,932	6.22%

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, 2014, the Housing Division’s investments in Fannie Mae and Ginnie Mae are 1.08% and 54.61% 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, 2014 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. LRS and JRS had no exposure to foreign currency risk as of June 30, 2014. The following table summarizes the pension and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2014 (expressed in thousands):

	Currency by Investment and Fair Value			
	Equity	Derivatives	Cash	Total
Australian Dollar	\$ 486,735	\$ 400	\$ 802	\$ 487,937
British Pound Sterling	1,351,838	(2,100)	6,232	1,355,970
Danish Krone	93,543	-	-	93,543
Euro	1,958,548	-	8,537	1,967,085
Hong Kong Dollar	177,994	200	1,215	179,409
Israeli Shekel	32,658	-	103	32,761
Japanese Yen	1,273,744	900	475	1,275,119
Norwegian Krone	8,666	-	1	8,667
Polish Zloty	54,442	-	401	54,843
Singapore Dollar	88,402	100	609	89,111
Swedish Krona	191,929	200	203	192,332
Swiss Franc	567,303	300	102	567,705
<b>Total</b>	<b>\$ 6,285,802</b>	<b>\$ -</b>	<b>\$ 18,680</b>	<b>\$ 6,304,482</b>

*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, 2014 (expressed in thousands):

	Currency at Fair Value
Japanese Yen	\$ 3
Taiwan Dollar	16
<b>Total</b>	<b>\$ 19</b>

*Component Unit* - The NSHE does not directly invest in foreign currency investments and is therefore not subject to

foreign currency risk. However, it has \$235,603,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2014.

**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, 2014 (excluding PERS).

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



(Note 3 Continued)

At year-end, PERS has no credit risk exposure to borrowers because the associated value of the collateral held exceeds the value of the securities borrowed. 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. In September 2013 the Board elected to allow only overnight repurchase agreements collateralized by U.S. government obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities within the reinvestment portfolio. This action effectively eliminated risk in securities lending collateral reinvestment portfolio since securities issued or guaranteed by the U.S. government are considered to be free of credit risk. 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, 2014 is \$1,524,913,444. Collateral received for outstanding securities lending arrangements consisted of cash in the amount of \$541,523,662 and non-cash in the amount of \$1,023,419,860. The cash collateral is reported on the Statement of Fiduciary Net Position as an asset with a related liability. At June 30, 2014, 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 June 2012 and September 2011 respectively. The primary government has no exposure to derivatives as of June 30, 2014.

*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, 2014. 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 2014 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	\$ 117,739	\$ 922	\$ (51,713)	\$ 375	\$ 1,297
British Pound Sterling	101,838	(19)	(248,569)	(442)	(461)
Canadian Dollar	13,638	34	(90,699)	76	110
Danish Krone	27,728	(23)	(44,640)	58	35
Euro	182,468	(257)	(976,026)	2,585	2,328
Hong Kong Dollar	20,216	2	(9,530)	(2)	-
Israeli Shekel	8,949	1	(2,814)	45	46
Japanese Yen	402,610	(357)	(775,234)	6,154	5,797
Malaysian Ringgit	-	-	(5,281)	11	11
Mexican New Peso	1,632	(7)	(17,545)	90	83
New Zealand Dollar	2,695	10	(410)	2	12
Norwegian Krone	13,643	47	(69,509)	47	94
Polish Zloty	1,302	9	(13,478)	40	49
S African Comm Rand	3,644	(26)	(12,216)	(28)	(54)
Singapore Dollar	3,148	-	(20,861)	62	62
Swedish Krona	39,685	(74)	(21,454)	(137)	(211)
Swiss Franc	71,394	(210)	(89,690)	220	10
<b>Total</b>	<b>\$ 1,012,329</b>	<b>\$ 52</b>	<b>\$ (2,449,669)</b>	<b>\$ 9,156</b>	<b>\$ 9,208</b>



(Note 3 Continued)

The PERS derivative pending transactions as of June 30, 2014, are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				Total
	Purchases	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Australian Dollar	\$ 416	\$ 1	\$ -	\$ -	\$ 1
British Pound Sterling	-	-	(2,150)	(10)	(10)
Danish Krone	37	-	-	-	-
Hong Kong Dollar	102	-	-	-	-
Japanese Yen	930	1	-	-	1
Norwegian Krone	33	-	-	-	-
Singapore Dollar	109	-	-	-	-
Swedish Krona	219	2	-	-	2
Swiss Franc	332	1	-	-	1
<b>Total</b>	<b>\$ 2,178</b>	<b>\$ 5</b>	<b>\$ (2,150)</b>	<b>\$ (10)</b>	<b>\$ (5)</b>

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 seven types of derivatives: futures contracts, forward currency contracts, OTC (over-the-counter) total return swap contracts, OTC and CC (centrally cleared) interest rate swap contracts, and OTC and centrally cleared credit default contracts. Currently, there is no written investment policy with regard to derivatives for the Portfolios. All seven 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, 2014, 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	\$ -	\$ -	\$ 143
CC Interest Rate Swap Contracts, gross	8,397	28	28
OTC Total Return Swap Contracts, gross	15,861	(6)	4
OTC Credit Default Contracts, gross	868	33	87
CC Credit Default Contracts, gross	18,220	248	248
Forward Currency Contracts, net	48,648	(181)	163
Futures Contracts, gross	-	31	168
<b>Total</b>	<b>\$ 91,994</b>	<b>\$ 153</b>	<b>\$ 841</b>

The Portfolios use futures contracts to manage interest rate risk, gain exposure to interest rates, manage 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 managed 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. Risks may exceed amounts recognized on the Statement of Fiduciary Net Position. 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 manage 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 manage 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 manage 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, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform. This risk may be mitigated for OTC interest rate swap contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared credit default contracts to manage credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In an OTC and centrally cleared credit default contracts, the protection buyer typically makes a 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 and

centrally cleared 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 and centrally cleared credit default contracts which could mitigate their risk of loss. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios' 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 for OTC credit default contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared credit default contracts through the daily exchange of the variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. 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.

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. Centrally cleared contracts are not considered brokered contracts and have mitigated risks.

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, 2014 (expressed in thousands):

	Maturities in Years				Total
	Less than 1	1-5	6-10	Greater than 10	
CC Interest Rate Swap Contracts	\$ -	\$ 9	\$ 23	\$ (4)	\$ 28
OTC Total Return Swap Contracts	(6)	-	-	-	(6)
OTC Credit Default Contracts	-	-	-	33	33
CC Credit Default Contracts	-	248	-	-	248
Forward Currency Contracts	(181)	-	-	-	(181)
Futures Contracts	31	-	-	-	31
<b>Total</b>	<b>\$ (156)</b>	<b>\$ 257</b>	<b>\$ 23</b>	<b>\$ 29</b>	<b>\$ 153</b>

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, 2014 (expressed in thousands):



(Note 3 Continued)

<b>Forward Currency Contracts</b>					
	<b>Buy</b>	<b>Fair Value</b>	<b>Sell</b>	<b>Fair Value</b>	<b>Total Fair Value</b>
Australian Dollar	\$ 2,059	\$ 36	\$ 3,759	\$ (68)	\$ (32)
Brazilian Real	2,432	31	1,628	(3)	28
British Pound	1,375	23	2,482	(49)	(26)
Canadian Dollar	2,090	58	3,082	(104)	(46)
Chilean Peso	195	(2)	305	(6)	(8)
Columbian Peso	204	10	203	(7)	3
Czech Koruna	122	1	122	(1)	-
Danish Krone	-	-	116	(1)	(1)
Euro	493	3	5,626	(34)	(31)
Hong Kong Dollar	-	-	134	-	-
Hungarian Forint	-	-	110	1	1
Indian Rupee	617	(4)	-	-	(4)
Indonesian Rupiah	230	(5)	230	2	(3)
Japanese Yen	553	4	4,301	(53)	(49)
Mexican Peso	783	9	458	-	9
New Taiwan Dollar	-	-	346	(2)	(2)
New Zealand Dollar	3,470	77	2,041	(47)	30
Norwegian Krone	2,733	(46)	589	8	(38)
Polish Zloty	118	1	-	-	1
Singapore Dollar	-	-	408	(3)	(3)
South African Rand	114	(3)	227	(1)	(4)
South Korean Won	552	10	-	-	10
Swedish Krona	621	(4)	2,624	(1)	(5)
Swiss Franc	28	-	816	(10)	(10)
Thai Baht	126	(1)	126	-	(1)
<b>Total</b>	<b>\$ 18,915</b>	<b>\$ 198</b>	<b>\$ 29,733</b>	<b>\$ (379)</b>	<b>\$ (181)</b>

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

	<b>Foreign Currency</b>
Japanese Yen	\$ 3
New Taiwan Dollar	16
<b>Total</b>	<b>\$ 19</b>

**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):

	<b>Major Funds</b>		
	<b>General</b>	<b>Permanent School Fund</b>	<b>Total</b>
<b>As shown on financial statements:</b>			
Intergovernmental receivables	\$ 348,552	\$ 357	\$ 348,909
Notes/loans receivable	16,267	-	16,267
Due from Component Unit	211	5,403	5,614
<b>Total</b>	<b>\$ 365,030</b>	<b>\$ 5,760</b>	<b>\$ 370,790</b>
<b>Classified:</b>			
<b>Current portion</b>	<b>\$ 342,325</b>	<b>\$ 357</b>	<b>\$ 342,682</b>
<b>Noncurrent portion:</b>			
Intergovernmental receivables	7,794	-	7,794
Notes/loans receivable	14,911	-	14,911
Due from Component Unit	-	5,403	5,403
<b>Total noncurrent portion</b>	<b>22,705</b>	<b>5,403</b>	<b>28,108</b>
<b>Total</b>	<b>\$ 365,030</b>	<b>\$ 5,760</b>	<b>\$ 370,790</b>

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$41.0 million, and uncollectible accounts receivable are estimated at \$115.5 million. The proprietary funds have \$66.2 million in uncollectible accounts receivable of which \$15.3 million are from uninsured employers' fines and penalties, and \$42.7 million are from unemployment contributions and benefit overpayments.



**Note 5 - Interfund Transactions**

**A. Interfund Advances**

A summary of interfund advances at June 30, 2014, follows (expressed in thousands):

<u>Advances To</u>	<u>Advances From</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonmajor enterprise	\$ 248	\$ -	\$ 248
Internal service	2,927	904	3,831
<b>Total other funds</b>	<b>\$ 3,175</b>	<b>\$ 904</b>	<b>\$ 4,079</b>

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

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

**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, 2014, is shown below (expressed in thousands):

<u>Due From</u>	<u>Due To</u>					
	<u>Major Governmental Funds</u>					<u>Total Governmental</u>
	<u>General</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>	<u>Permanent School</u>	<u>Nonmajor Governmental</u>	
Major Governmental Funds:						
General	\$ -	\$ 2,301	\$ 1	\$ 30	\$ 12,935	\$ 15,267
State Highway	1,931	-	-	-	17	1,948
Permanent School Fund	2,025	-	-	-	-	2,025
Nonmajor governmental	31,890	3,883	-	-	3,048	38,821
<b>Total Governmental</b>	<b>35,846</b>	<b>6,184</b>	<b>1</b>	<b>30</b>	<b>16,000</b>	<b>58,061</b>
Major Enterprise Funds:						
Housing Division	108	-	-	-	-	108
Unemployment Comp	-	-	-	-	495	495
Water Projects Loans	282	-	-	-	2	284
Higher Ed Tuition Trust	5,046	-	-	-	-	5,046
Nonmajor enterprise	2,470	6	-	-	-	2,476
<b>Total Enterprise</b>	<b>7,906</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>497</b>	<b>8,409</b>
Internal Service	932	139	-	-	166	1,237
<b>Total other funds</b>	<b>\$ 44,684</b>	<b>\$ 6,329</b>	<b>\$ 1</b>	<b>\$ 30</b>	<b>\$ 16,663</b>	<b>\$ 67,707</b>
<b>Fiduciary</b>	<b>\$ 371</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 865</b>	<b>\$ 1,236</b>
Component Units:						
Colorado River Commission	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ 28
Nevada System of Higher Education	183	2	-	-	1	186
Nevada Capital Investment Corporation	-	-	-	5,403	-	5,403
<b>Total Component Units</b>	<b>\$ 211</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 5,403</b>	<b>\$ 1</b>	<b>\$ 5,617</b>

**Notes to Financial Statements**  
For the Fiscal Year Ended June 30, 2014



NEVADA

(Note 5 Continued)

	Due To								
	Major Enterprise Funds				Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Ed Tuition Trust					
<b>Due From</b>									
Major Governmental Funds:									
General	\$ 74	\$ -	\$ 318	\$ 9	\$ 978	\$ 1,379	\$ 4,663	\$ 21,309	\$ 500,920
State Highway	-	-	-	-	-	-	571	2,519	815
Permanent School Fund	-	-	-	-	-	-	-	2,025	-
Nonmajor governmental	-	3,433	1	-	15	3,449	199	42,469	6
<b>Total Governmental</b>	<b>74</b>	<b>3,433</b>	<b>319</b>	<b>9</b>	<b>993</b>	<b>4,828</b>	<b>5,433</b>	<b>68,322</b>	<b>501,741</b>
Major Enterprise Funds:									
Housing Division	-	-	-	-	-	-	4	112	-
Unemployment Comp	-	-	-	-	-	-	-	495	-
Water Projects Loans	-	-	-	-	-	-	1	285	-
Higher Ed Tuition Trust	-	-	-	-	1	1	2	5,049	-
Nonmajor enterprise	-	-	-	-	3	3	79	2,558	100
<b>Total Enterprise</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>86</b>	<b>8,499</b>	<b>100</b>
Internal Service	-	-	-	-	2	2	270	1,509	13
<b>Total other funds</b>	<b>\$ 74</b>	<b>\$ 3,433</b>	<b>\$ 319</b>	<b>\$ 9</b>	<b>\$ 999</b>	<b>\$ 4,834</b>	<b>\$ 5,789</b>	<b>\$ 78,330</b>	<b>\$ 501,854</b>
<b>Fiduciary</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15</b>	<b>\$ 15</b>	<b>\$ 2,997</b>	<b>\$ 4,248</b>	<b>\$ 30,657</b>
Component Units:									
Colorado River Commission	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ 44	\$ -
Nevada System of Higher Education	-	-	-	-	-	-	162	348	2,533
Nevada Capital Investment Corporation	-	-	-	-	-	-	-	5,403	-
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178</b>	<b>\$ 5,795</b>	<b>\$ 2,533</b>

	Due To		
	Component Units		
	Colorado River Commission	Nevada System of Higher Education	Total Component Units
<b>Due From</b>			
Major Governmental Funds:			
General	\$ 48	\$ 14,148	\$ 14,196
State Highway	-	1,029	1,029
Nonmajor governmental	27	12,159	12,186
<b>Total Governmental Funds</b>	<b>75</b>	<b>27,336</b>	<b>27,411</b>
Internal Service	-	33	33
<b>Total</b>	<b>\$ 75</b>	<b>\$ 27,369</b>	<b>\$ 27,444</b>

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, 2014, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					
	General	State Highway	Municipal Bond Bank	Permanent School	Nonmajor Governmental	Total Governmental
<b>Transfers In/From</b>						
Major Governmental Funds:						
General	\$ -	\$ 6,554	\$ -	\$ 1,655	\$ 97,797	\$ 106,006
State Highway	537	-	-	-	3,435	3,972
Nonmajor governmental	25,900	1,168	26,280	-	12,050	65,398
<b>Total Governmental</b>	<b>26,437</b>	<b>7,722</b>	<b>26,280</b>	<b>1,655</b>	<b>113,282</b>	<b>175,376</b>
Major Enterprise Funds:						
Housing	99	-	-	-	-	99
Unemployment Comp	-	-	-	-	7,615	7,615
Higher Ed Tuition Trust	2,334	-	-	-	-	2,334
<b>Total Enterprise</b>	<b>2,433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,615</b>	<b>10,048</b>
Internal Service	1,929	554	-	-	-	2,483
<b>Total other funds</b>	<b>\$ 30,799</b>	<b>\$ 8,276</b>	<b>\$ 26,280</b>	<b>\$ 1,655</b>	<b>\$ 120,897</b>	<b>\$ 187,907</b>

	Transfers Out/To					
	Major Enterprise Fund					
	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
<b>Transfers In/From</b>						
Major Governmental Funds:						
General	\$ -	\$ 1,432	\$ 12,368	\$ 13,800	\$ -	\$ 119,806
State Highway	-	-	-	-	-	3,972
Nonmajor governmental	2,937	-	-	2,937	80	68,415
<b>Total Governmental</b>	<b>2,937</b>	<b>1,432</b>	<b>12,368</b>	<b>16,737</b>	<b>80</b>	<b>192,193</b>
Major Enterprise Funds:						
Housing	-	-	-	-	-	99
Unemployment Comp	-	-	-	-	-	7,615
Higher Ed Tuition Trust	-	-	-	-	-	2,334
Nonmajor enterprise	-	-	14	14	-	14
<b>Total Enterprise</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>14</b>	<b>-</b>	<b>10,062</b>
Internal Service	-	-	-	-	-	2,483
<b>Total other funds</b>	<b>\$ 2,937</b>	<b>\$ 1,432</b>	<b>\$ 12,382</b>	<b>\$ 16,751</b>	<b>\$ 80</b>	<b>\$ 204,738</b>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment. An exception was a transfer of \$49 million from the Attorney General Settlement Fund, a nonmajor special revenue fund to the General Fund for the Nevada Home Retention Program.

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 \$501 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, 2014



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, 2014 are as follows (expressed in thousands):

	Primary Government	
	Business-Type Activities	Component Units
<b>Restricted:</b>		
Cash	\$ -	\$ 86,767
Investments	93,839	38,515
<b>Total</b>	<u>\$ 93,839</u>	<u>\$ 125,282</u>
<b>Restricted for:</b>		
Debt service	\$ 93,839	\$ 3,490
Construction	-	78,375
Other purposes	-	43,417
<b>Total</b>	<u>\$ 93,839</u>	<u>\$ 125,282</u>

## Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2014, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 145,667	\$ 4,939	\$ -	\$ 150,606
Construction in progress	157,716	39,628	(10,520)	186,824
Infrastructure	3,605,406	203,283	-	3,808,689
Rights-of-way	618,482	2,164	(118)	620,528
Total capital assets, not being depreciated	<u>4,527,271</u>	<u>250,014</u>	<u>(10,638)</u>	<u>4,766,647</u>
<b>Capital assets, being depreciated/amortized</b>				
Buildings	1,663,583	5,123	(4,724)	1,663,982
Improvements other than buildings	123,224	557	-	123,781
Furniture and equipment	384,555	25,790	(10,458)	399,887
Software costs	175,997	7,755	(368)	183,384
Total capital assets, being depreciated/amortized	<u>2,347,359</u>	<u>39,225</u>	<u>(15,550)</u>	<u>2,371,034</u>
<b>Less accumulated depreciation/amortization for:</b>				
Buildings	(508,096)	(41,707)	2,490	(547,313)
Improvements other than buildings	(77,880)	(3,901)	-	(81,781)
Furniture and equipment	(319,326)	(22,053)	9,892	(331,487)
Software costs	(153,127)	(3,813)	333	(156,607)
Total accumulated depreciation/amortization	<u>(1,058,429)</u>	<u>(71,474)</u>	<u>12,715</u>	<u>(1,117,188)</u>
Total capital assets, being depreciated/amortized, net	<u>1,288,930</u>	<u>(32,249)</u>	<u>(2,835)</u>	<u>1,253,846</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,816,201</u>	<u>\$ 217,765</u>	<u>\$ (13,473)</u>	<u>\$ 6,020,493</u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	10,122	161	-	10,283
Total capital assets, not being depreciated	<u>10,690</u>	<u>161</u>	<u>-</u>	<u>10,851</u>
<b>Capital assets, being depreciated</b>				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	6,402	150	(264)	6,288
Total capital assets, being depreciated	<u>10,422</u>	<u>150</u>	<u>(264)</u>	<u>10,308</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(2,724)	(103)	-	(2,827)
Improvements other than buildings	(572)	-	-	(572)
Furniture and equipment	(5,345)	(346)	252	(5,439)
Total accumulated depreciation	<u>(8,641)</u>	<u>(449)</u>	<u>252</u>	<u>(8,838)</u>
Total capital assets, being depreciated, net	<u>1,781</u>	<u>(299)</u>	<u>(12)</u>	<u>1,470</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 12,471</u>	<u>\$ (138)</u>	<u>\$ (12)</u>	<u>\$ 12,321</u>



(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):

<b>Governmental activities:</b>	
General government	\$ 3,813
Education, support services	928
Health, social services	10,949
Law, justice, public safety	31,991
Recreation, resource development	4,123
Transportation	11,021
Regulation of business	3,610
Unallocated	2,150
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	2,889
<b>Total depreciation/amortization expense - governmental activities</b>	<u>\$ 71,474</u>
<b>Business-type activities:</b>	
Enterprise	\$ 449
<b>Total depreciation expense - business-type activities</b>	<u>\$ 449</u>

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2014, was as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Nevada System of Higher Education:</b>				
<b><i>Capital assets, not being depreciated</i></b>				
Construction in progress	\$ 34,763	\$ 43,146	\$ (29,788)	\$ 48,121
Land	82,627	1,325	-	83,952
Intangibles	808	266	(786)	288
Collections	11,939	747	(7)	12,679
Total capital assets, not being depreciated	<u>130,137</u>	<u>45,484</u>	<u>(30,581)</u>	<u>145,040</u>
<b><i>Capital assets, being depreciated</i></b>				
Buildings	2,336,271	26,998	(168)	2,363,101
Land and improvements	118,322	732	(20)	119,034
Machinery and equipment	342,447	24,598	(20,256)	346,789
Intangibles	41,267	1,669	-	42,936
Library books and media	118,690	2,644	(2,337)	118,997
Total capital assets, being depreciated	<u>2,956,997</u>	<u>56,641</u>	<u>(22,781)</u>	<u>2,990,857</u>
<b><i>Less accumulated depreciation for:</i></b>				
Buildings	(699,616)	(58,403)	168	(757,851)
Land and improvements	(89,689)	(3,899)	-	(93,588)
Machinery and equipment	(244,634)	(24,606)	18,509	(250,731)
Intangibles	(14,861)	(4,750)	-	(19,611)
Library books and media	(110,650)	(3,956)	2,306	(112,300)
Total accumulated depreciation	<u>(1,159,450)</u>	<u>(95,614)</u>	<u>20,983</u>	<u>(1,234,081)</u>
Total capital assets, being depreciated, net	<u>1,797,547</u>	<u>(38,973)</u>	<u>(1,798)</u>	<u>1,756,776</u>
<b>Nevada System of Higher Education activity capital assets, net</b>	<u>\$ 1,927,684</u>	<u>\$ 6,511</u>	<u>\$ (32,379)</u>	<u>\$ 1,901,816</u>



**Note 8 - Short-Term Obligations**

*Component Unit* - On March 12, 2014, Colorado River Commission (CRC) issued interim bonds of \$28,425,000 to fund CRC's expected share of the construction cost of the visitor's center at Hoover Dam. These bonds were issued due to delays in determining a final allocation of shared costs. In June 2014, CRC issued \$29,475,000 Series 2014E General Obligation Refunding bonds as disclosed in Section N of Note 9, proceeds from which were used to fully refund the interim bonds. These bonds mature annually on October 1, 2015 through 2043, with interest payable semi-annually on October 1 and April 1 at the annual rates of 0.50% to 4.25%. There was no short-term debt outstanding at July 1, 2013 or June 30, 2014.

**Note 9 - 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, 2014 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,754,520	\$ 59,150	\$ (109,830)	\$ 1,703,840	\$ 110,530
Special obligation bonds	497,650	86,020	(56,220)	527,450	41,310
Subtotal	2,252,170	145,170	(166,050)	2,231,290	151,840
Issuance premiums (discounts)	143,968	21,012	(18,188)	146,792	16,932
Total bonds payable	2,396,138	166,182	(184,238)	2,378,082	168,772
Certificates of participation	52,000	86,230	(43,775)	94,455	2,520
Issuance premiums (discounts)	339	2,794	(177)	2,956	236
Total certificates of participation	52,339	89,024	(43,952)	97,411	2,756
Other Governmental long-term activities:					
Obligations under capital leases	25,096	2,139	(2,141)	25,094	2,269
Compensated absences obligations	94,720	73,617	(71,211)	97,126	59,659
Arbitrage rebate liability	1,043	-	(1,043)	-	-
Total other governmental long-term activities	120,859	75,756	(74,395)	122,220	61,928
<b>Governmental activities long-term obligations</b>	<b>\$ 2,569,336</b>	<b>\$ 330,962</b>	<b>\$ (302,585)</b>	<b>\$ 2,597,713</b>	<b>\$ 233,456</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 90,720	\$ 5,145	\$ (12,840)	\$ 83,025	\$ 9,710
Special obligation bonds	739,797	568,269	(151,432)	1,156,634	146,587
Subtotal	830,517	573,414	(164,272)	1,239,659	156,297
Issuance premiums (discounts)	5,942	59,582	(9,610)	55,914	13,843
Total bonds payable	836,459	632,996	(173,882)	1,295,573	170,140
Compensated absences obligations	1,898	1,571	(1,468)	2,001	1,256
Arbitrage rebate liability	-	571	-	571	-
Federal unemployment advance	573,957	-	(573,957)	-	-
Tuition benefits payable	174,399	18,914	(8,160)	185,153	15,960
<b>Business-type activities long-term obligations</b>	<b>\$ 1,586,713</b>	<b>\$ 654,052</b>	<b>\$ (757,467)</b>	<b>\$ 1,483,298</b>	<b>\$ 187,356</b>

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 unemployment compensation bonds are to repay the Federal Unemployment Advance as benefits paid significantly exceeded employer assessment during the national economic downturn. 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, 2014 are comprised of the following (expressed in thousands):



(Note 9 Continued)

	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Principal Outstanding</u>
<b>Governmental activities:</b>			
<b>General obligation bonds:</b>			
Subject to Constitutional Debt Limitation	.25-7.0%	\$ 1,761,855	\$ 1,146,155
Exempt from Constitutional Debt Limitation	2.0-7.0%	814,130	557,685
<b>Special obligation bonds:</b>			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	2.5-5.5%	971,245	527,450
Subtotal		<u>3,547,230</u>	<u>2,231,290</u>
<b>Issuance premiums (discounts)</b>		245,681	146,792
<b>Governmental activities bonds payable</b>		<u>3,792,911</u>	<u>2,378,082</u>
<b>Business-type activities:</b>			
<b>General obligation bonds:</b>			
Exempt from Constitutional Debt Limitation	1.75-5.1%	106,035	83,025
<b>Special obligation bonds:</b>			
Unemployment Compensation Bonds	2.0-5.0%	548,900	548,900
Housing Bonds	*.35-6.95%	850,810	607,734
Subtotal		<u>1,505,745</u>	<u>1,239,659</u>
<b>Issuance premiums (discounts)</b>		66,712	55,914
<b>Business-type activities bonds payable</b>		<u>1,572,457</u>	<u>1,295,573</u>
<b>Total bonds payable</b>		<u>\$ 5,365,368</u>	<u>\$ 3,673,655</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, 2014, 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
2015	\$ 151,840	\$ 102,669	\$ 156,297	\$ 41,632
2016	162,880	95,431	156,733	36,842
2017	170,535	88,555	172,943	29,678
2018	169,995	81,344	150,222	21,160
2019	174,710	73,487	19,785	15,780
2020-2024	840,880	240,678	114,027	65,891
2025-2029	539,110	53,652	103,202	43,047
2030-2034	19,700	2,267	133,462	28,105
2035-2039	1,640	124	174,641	13,369
2040-2044	-	-	57,346	1,839
2045-2049	-	-	1,001	84
<b>Total</b>	<u>\$ 2,231,290</u>	<u>\$ 738,207</u>	<u>\$ 1,239,659</u>	<u>\$ 297,427</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, 2014, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 1,854,550
Less: Bonds and leases payable as of June 30, 2014, subject to limitation	(1,151,010)
Remaining debt capacity	<u>\$ 703,540</u>



(Note 9 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, 2014, and total investments in local governments amounted to \$255,620,000.

**E. Refunded Debt and Redemptions**

During the fiscal year 2014, the State of Nevada refunded \$6,385,000 in general obligation, limited tax, bonds related to natural resources and water projects loans by issuing refunding bonds with a total par amount of \$6,320,000 at a \$466,550 premium. Proceeds from refunding bonds were used to refund certain outstanding State general obligation bonds to realize debt service savings. In addition, the Nevada Real Property Corporation (NRPC) repaid \$41,390,000 Certificates of Participation by issuing refunding bonds with a total par amount of \$35,785,000 at a \$1,944,061 premium and using \$5,453,229 of its fund reserve. The refunding decreased the aggregate debt service payments by \$9,595,452 with an economic or present value gain of \$6,047,706. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of \$1,509,503. This amount is being reported as a deferred outflow of resources 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
<b>General obligation bonds:</b>				
Natural Resources and Refunding Bonds Series 2014B	\$ 4,425	\$ 4,235	\$ 385	\$ 354
Safe Drinking Water Revolving Fund Matching and Refunding Bonds Series 2014D	2,227	2,150	148	143
<b>Certificates of Participation:</b>				
Lease Revenue Refunding Capitol Complex Building 1 Project Series 2013	21,746	21,250	5,580	3,354
Lease Revenue Refunding Casa Grande Project Series 2013	21,054	20,140	3,482	2,197
<b>Total</b>	<u>\$ 49,452</u>	<u>\$ 47,775</u>	<u>\$ 9,595</u>	<u>\$ 6,048</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, 2014 is \$530,602,633.

**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, 2014, include equipment with a historical cost of \$3,200,869 with accumulated depreciation of \$1,004,106 and building improvements of \$27,810,128 with accumulated depreciation of \$4,176,342.

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, 2014 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2015	\$ 3,333
2016	3,625
2017	3,693
2018	3,157
2019	3,240
2020-2024	12,677
2025	1,348
Total minimum lease payments	31,073
Less: amount representing interest	(5,979)
<b>Obligations under capital leases</b>	<u>\$ 25,094</u>





(Note 9 Continued)

**H. Certificates of Participation**

In fiscal year 2010, the NRPC, 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 2014, the NRPC issued \$35,785,000 of Lease Revenue Refunding Certificates of Participation Series 2013 at 3.0-5.0% interest to refund the outstanding balances of Lease Revenue Certificates of Participation Series 2004 and 2004B as discussed in Section E of this note. The original Series 2004 and 2004B were to finance the acquisition and construction of the State’s Capitol Complex Building 1 and Casa Grande Projects respectively.

In fiscal year 2014, the NRPC issued \$50,445,000 of new Lease Revenue Certificates of Participation Series 2013 at 4.0-5.0% interest to finance the State’s Nevada State College Project. The Project will be leased to the Nevada System of Higher Education (NSHE), the State’s discretely presented component unit, upon the completion of the construction (approximately at the end of fiscal year 2015) pursuant to a Lease Purchase Agreement. Meanwhile, the NRPC has entered into a Ground Lease with respect to the real property on which the Project is located.

In fiscal year 2007, the NRPC issued \$5,760,000 of Lease Revenue Certificates of Participation Series 2006 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. In the event that the State does not make a sufficient appropriation with respect to a Lease Purchase Agreement, that Lease Purchase Agreement will terminate. Currently, only the payment of

principal and interest on the Series 2006 is being guaranteed by an insurance policy.

The following schedule presents future certificates of participation payments as of June 30, 2014 (expressed in thousands):

Year Ending June 30	Principal	Interest
2015	\$ 2,520	\$ 4,345
2016	2,710	4,242
2017	3,845	4,132
2018	4,080	3,957
2019	2,960	3,805
2020-2024	17,315	16,853
2025-2029	21,660	12,298
2030-2034	15,265	7,703
2035-2039	12,105	4,807
2040-2043	11,995	1,536
<b>Total</b>	<b>\$ 94,455</b>	<b>\$ 63,678</b>

**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	\$185,153
Net position available	228,633
Net position as a percentage of tuition benefits obligation	123.48%

The actuarial valuation used an investment yield assumption of 6.25% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
2015-16	4.00%	4.00%
2016-17	4.00%	4.00%
2017-18	4.00%	4.00%
2018-19	4.00%	4.00%
2019-20 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.



(Note 9 Continued)

In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2014, and changes for the fiscal year then ended are 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. As of June 30, 2014, there are seven series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$594,616,576.

### 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 March 19, 2014, additional Highway Revenue Bonds Series 2014 were issued for \$86,020,000 as disclosed in Section A of this note. As of June 30, 2014, the outstanding balance of Highway Improvement Revenue and Refunding bonds is \$527,450,000. The total of principal and interest remaining on the bonds is \$669,316,630 payable through December 2026. Upon completion of eligible projects, federal aid of \$320,183,500 is expected to be received in fiscal year 2015. For the current year, principal and interest paid was \$78,642,421 and total motor vehicle fuel and special fuel tax revenues were \$266,872,819.

*Pledged additional assessments of unemployment contributions* - The State has pledged additional assessments on unemployment contributions (special bond contributions), the proceeds derived from the sale of bonds, and related investment earnings to repay \$548,900,000 of Unemployment Compensation Fund Special Revenue Bonds issued on November 6, 2013. The revenue bonds were issued for the purposes of repaying the Federal Unemployment Advance as discussed in section M of this note, funding a deposit to the Nevada UITF Account to avoid the need for further advances, funding a deposit to the trustee as a reserve, and paying costs of issuance and related program administrative costs. The previously existing State Unemployment Compensation Law was amended by Chapter 450, Statutes of Nevada, 2013 (the 2013

Act) to create additional powers of assessment and revenue bond issuing authority. The 2013 Act, which was enacted during the 2013 State legislative session, authorizes and directs the State Department of Employment, Training and Rehabilitation to assess and collect special bond contributions from Nevada employers who are obligated to pay unemployment contributions under the State Unemployment Compensation Law. Pursuant to the 2013 Act, special bond contributions must be established at levels sufficient to pay debt service on the bonds. As of June 30, 2014, the entire amount of the above bonds is outstanding. The total principal and interest remaining on the bonds is \$608,120,025, payable through June 2018. In fiscal year 2014, interest of \$13,644,228 was paid, substantially from remaining bond proceeds, and special bond contributions revenue totaled \$57,969,434. As of June 30, 2014, \$57,204,386 was held by the trustee for the benefit of the bondholders. Special bond contributions of \$160,700,000 are expected to be collected in fiscal year 2015, which, along with assets held by the trustee, will be used to pay the fiscal year 2015 debt service principal and interest of \$161,949,950.

*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. Nevada Housing Division issues a stand-alone financial report that includes financial statements and required supplemental information. The Report may be obtained from Nevada Housing Division, 1535 Old Hot Springs Road, Suite 50, Carson City, NV 89706.





(Note 9 Continued)

**M. Federal Unemployment Advance**

As of June 30, 2014, the entire amount of advances due to the U.S. Department of Labor in accordance with provisions of Title XII, Section 1201 of the Social Security Act has been repaid. The repayment of federal advances was made using \$540,926,259 of the proceeds of Unemployment Compensation Fund Special Revenue Bonds as discussed in Section L of this note.

**N. Component Unit Obligations**

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2014, 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 and notes payable	\$ 460,610	\$ 50,595	\$ (22,514)	\$ 488,691	\$ 22,280
Issuance premiums (discounts)	27,384	4,428	(1,774)	30,038	1,892
Total bonds payable	487,994	55,023	(24,288)	518,729	24,172
Obligations under capital leases	3,245	28	(822)	2,451	817
Compensated absences obligations	46,727	30,966	(29,863)	47,830	30,883
<b>Total</b>	<u>\$ 537,966</u>	<u>\$ 86,017</u>	<u>\$ (54,973)</u>	<u>569,010</u>	<u>55,872</u>
Discretely presented component units of the NSHE:					
Capital leases				137	137
Long-term debt				67	67
<b>Total</b>				<u>\$ 569,214</u>	<u>\$ 56,076</u>

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

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2014 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 24,172	\$ 21,959
2016	24,744	21,444
2017	32,559	20,239
2018	22,422	19,192
2019	22,796	18,272
2020-2024	110,186	76,811
2025-2029	97,886	53,931
2030-2034	105,500	31,884
2035-2039	61,482	10,712
2040-2044	16,982	1,760
<b>Total</b>	<u>\$ 518,729</u>	<u>\$ 276,204</u>

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>
2015	\$ 880
2016	762
2017	624
2018	305
Total minimum lease payments	2,571
Less: amount representing interest	(120)
<b>Obligations under capital leases</b>	<u>\$ 2,451</u>

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2014, and the changes for the year then ended, consist of the following (expressed in thousands):

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2014



NEVADA

(Note 9 Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 70,385	\$ 29,475	\$ (3,975)	\$ 95,885	\$ 4,150
Issuance premiums (discounts)	2,915	(174)	(660)	2,081	654
Total bonds payable	73,300	29,301	(4,635)	97,966	4,804
Compensated absences obligations	349	282	(292)	339	207
<b>Total</b>	<b>\$ 73,649</b>	<b>\$ 29,583</b>	<b>\$ (4,927)</b>	<b>\$ 98,305</b>	<b>\$ 5,011</b>

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

Year Ending June 30	Principal	Interest
2015	\$ 4,150	\$ 3,923
2016	4,785	3,957
2017	7,920	3,659
2018	9,020	3,254
2019	3,920	2,960
2020-2024	22,170	12,135
2025-2029	24,075	6,698
2030-2034	6,130	3,508
2035-2039	6,465	2,238
2040-2044	7,250	796
<b>Total</b>	<b>\$ 95,885</b>	<b>\$ 43,128</b>

## Note 10 - 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, 2014, 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.



(Note 10 Continued)

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 and provided by the general partner of the respective investment partnership, based on the most recent financial information available for the underlying companies at the measurement date adjusted for subsequent cash flow activities through June 30, 2014. 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, 2014 were as follows:

	<b>Statutory Rate</b>	
	<b>Employer</b>	<b>Employees</b>
<b>Regular employees:</b>		
Employer-pay plan	25.75%	na
Employee/employer plan (matching rate)	13.25%	13.25%
<b>Police and Fire employees:</b>		
Employer-pay plan	40.50%	na
Employee/employer plan (matching rate)	20.75%	20.75%

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Primary Government	\$ 174,712	\$ 162,484	\$ 163,219
<b>Component Units:</b>			
Colorado River Commission	523	485	476
Nevada System of Higher Education	29,163	26,750	27,019
<b>Total component units</b>	29,686	27,235	27,495
<b>Total reporting entity</b>	\$ 204,398	\$ 189,719	\$ 190,714
Contributions as %			
of covered payroll	20%	19%	19%
Percentage of pension costs contributed	100%	100%	100%

**B. LRS**

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



(Note 10 Continued)

Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

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

*Contributions* - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough

money to pay all benefits for which the System will be liable." The Legislature appropriated \$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 recognized as employer contributions 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 recorded as employee contributions 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, 2014, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2006 through June 30, 2012 and 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>	5-year smoothed market, limited to not less than 75% or greater than 125% of the market value of assets
<i>Assumed inflation rate:</i>	3.5% per annum
<i>Assumed investment rate of return:</i>	8% per annum, net of investment expenses, compounded annually
<i>Mortality rates:</i>	RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males)
<i>Salary increases:</i>	3.5%
<i>Disability rates:</i>	Rates assumed to be zero for all ages
<i>Retirement age for active members:</i>	Age 75
<i>Benefit commencement age for inactive vested members:</i>	Age 60
<i>Non re-election rates:</i>	The assumed non re-election rates (termination rates) vary with years of service as shown below:

<u>Years of Service</u>	<u>Rate (%)</u>
0 - 1	0
1 - 2	30
2 - 3	0
3 - 4	22
4 - 5	0
5 - 6	22
6 - 7	0
7 - 8	18
8 - 9	0
9 - 10	18
10 - 11	0
11 - 12	18
13 & over, odd years	0
14 & over, even years	80

(Continued on following page)



(Note 10 Continued)

(Continued from previous page)

Once a member ceases employment, if he/she has enough service to qualify for a pension (generally ten years), they are assumed to begin receiving their pensions at age 60. If service is not sufficient to qualify for a pension, they are assumed to immediately receive their own accumulated contributions with no further benefit payable. Rates end at age 75.

*Form of benefit election:*

All active and inactive vested members are assumed to elect a single life annuity at retirement

*Annual future salary for member contributions:*

\$4,400 (projected with assumed salary increases of 3.5% per year)

*Post-retirement benefit increases:*

For members with an effective date of membership before January 1, 2010, the lesser of: (a) 2.0% per year following the third anniversary of commencement of benefits, 3.0% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4.0% per year following the twelfth anniversary, 5.0% per year following the fourteenth anniversary, or (b) the average percentage increase in the Consumer Price Index (or other Board approved index) for the three preceeding years.

In any event, a member's benefit must be increased by the percentages in paragraph (a) if it has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All items) (or other Board approved index) for the period between retirement and the date of increase.

For members with an effective date of membership on or after January 1, 2010, the same as above, except the increases in paragraph (a) do not exceed 4.0% per year.

For future retirees, those hired prior to 2010 are assumed to reach the cap after 24 years of retirement. Those hired in 2010 or later are assumed to reach the cap after 39 years of retirement. Underlying all of these assumptions is that CPI will grow over time at a rate of 3.5% per year.

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

<b>Actuarial Valuation Date</b>	<b>For Fiscal Year Ended June 30</b>	<b>Annual Pension Cost</b>	<b>State Contribution Made</b>	<b>Percentage of Annual Pension Cost Contributed</b>	<b>Net Pension Obligation</b>
7/01/10	2012	\$ 182	\$ 182	100%	\$ -
6/30/12	2013	213	213	100%	-
6/30/12	2014	213	213	100%	-

*Funded Status and Funding Progress* – As of June 30, 2014, the most recent actuarial valuation date, the LRS was 78% funded. The actuarial accrued liability for benefits was \$5.5 million, and the actuarial value of assets was \$4.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.2 million. There is no covered payroll, as the stipend received by legislators does not qualify.

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, 2014, the Supreme Court and eleven 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.





(Note 10 Continued)

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.

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

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

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

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

**Actuarial Information –** Actuarial valuations of the JRS are prepared annually on a fiscal year basis. The most recent actuarial valuation, dated June 30, 2014, is based on June 30, 2014 census data and includes 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, and 20 years for each non-state agency														
<i>Asset valuation method :</i>	5-year smoothed market														
<i>Assumed inflation rate:</i>	3.5% per annum														
<i>Assumed investment rate of return:</i>	8%, net of investment expenses, compounded annually														
<i>Mortality rates:</i>	RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males)														
<i>Salary increases:</i>	Less than 4 years of service, increase of 3% per year; 4 years of service, increase of 8% per year; 5 to 11 years of service, increase of 4% per year; 12 or more years of service, increase of 3% per year														
<i>Retirement rates:</i>	Retirement rates after completion of five years of service and attainment of the following ages:														
	<table border="0"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Rate per Age</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">50 - 59</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td style="text-align: center;">60 - 61</td> <td style="text-align: center;">15.0%</td> </tr> <tr> <td style="text-align: center;">62 - 64</td> <td style="text-align: center;">17.5%</td> </tr> <tr> <td style="text-align: center;">65 - 67</td> <td style="text-align: center;">22.5%</td> </tr> <tr> <td style="text-align: center;">68 - 69</td> <td style="text-align: center;">25.0%</td> </tr> <tr> <td style="text-align: center;">70</td> <td style="text-align: center;">100.0%</td> </tr> </tbody> </table>	Age	Rate per Age	50 - 59	5.0%	60 - 61	15.0%	62 - 64	17.5%	65 - 67	22.5%	68 - 69	25.0%	70	100.0%
Age	Rate per Age														
50 - 59	5.0%														
60 - 61	15.0%														
62 - 64	17.5%														
65 - 67	22.5%														
68 - 69	25.0%														
70	100.0%														
<i>Retirement age for inactive vested participants:</i>	Age 60														
<i>Disability rates:</i>	None														

(Continued on following page)



(Note 10 Continued)

(Continued from previous page)

*Withdrawal rates:* 5% per year during each of the first four years of service; 0% after four years of service

*Post-retirement benefit increases:* For members with an effective date of membership before January 1, 2010, the lessor of: (a) 2.0% per year following the third anniversary of commencement of benefits, 3.0% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4.0% per year following the twelfth anniversary, 5.0% per year following the fourteenth anniversary, or (b) the average percentage increase in the Consumer Price Index (or other Board approved index) for the three preceding years.

In any event, a member's benefit must be increased by the percentages in paragraph (a) if it has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All items) (or other Board approved index) for the period between retirement and the date of increase.

For members with an effective date of membership on or after January 1, 2010, the same as above, except the increases in paragraph (a) do not exceed 4.0% per year.

For future retirees, those hired prior to 2010 are assumed to reach the cap after 24 years of retirement. Those hired in 2010 or later are assumed to reach the cap after 39 years of retirement. Underlying all of these assumptions is that CPI will grow over time at a rate of 3.5% per year.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 5,349	\$ 5,337	\$ 5,407
Interest on net pension obligation	(21)	-	13
Adjustment to annual required contribution	62	-	(38)
Annual pension cost	5,390	5,337	5,382
State contribution made	(5,444)	(5,606)	(5,546)
Increase (decrease) in net pension obligation	(54)	(269)	(164)
Net pension obligation (asset) at beginning of year	(268)	1	165
Net pension obligation (asset) at end of year	<u>\$ (322)</u>	<u>\$ (268)</u>	<u>\$ 1</u>
Percentage of annual pension costs contributed	100%	100%	100%

*Funded Status and Funding Progress* – As of June 30, 2014, the most recent actuarial valuation date, the JRS was 79% funded. The actuarial accrued liability for benefits was \$108.0 million, and the actuarial value of assets was \$85.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$22.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$18.9 million, and the ratio of the UAAL to the covered payroll was 118%.

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.



(Note 10 Continued)

#### **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 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 and the economic resources measurement focus. 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, 2013 through June 30, 2014 the rate assessed was 2.406% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. For the year ended June 30, 2014, the State, its component units, State Boards and Commissions, and other participating public employers contributed \$32,697,856 to the plan, which is 100% of the contractually required contribution. For the years ended June 30, 2013 and 2012 the State, its component units, State Boards and Commissions, and other participating public employers contributed \$36,686,124, and \$27,881,834, respectively, to the plan, which equaled 100% of the contractually required contribution each year.





**Note 11 - 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):

	<b>Self Insurance Fund</b>	<b>Insurance Premiums Fund</b>
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	44,891	66,639
Claims and changes in estimates	188,296	13,070
Claim payments	<u>(186,033)</u>	<u>(14,331)</u>
<b>Balance June 30, 2014</b>	<b><u>\$ 47,154</u></b>	<b><u>\$ 65,378</u></b>
Due Within One Year	\$ 47,154	\$ 16,920

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, 2014. 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 five 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 their 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 excluding NSHE, 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. Liabilities in the amount of \$52,989,939 as of June 30, 2014 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, 2014.



*(Note 11 Continued)*

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, 2014, 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 \$4,681,600 to \$16,481,100 has been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2014 total liabilities exceeded total assets by \$54,176,807. The Fund is liable for approximately \$54,000,000 as of June 30, 2014 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 12 - Fund Balances and Net Position**

### **A. Net Position-Restricted by Enabling Legislation**

The government-wide statement of net position reports \$1,465,876,600 of net position-restricted for the primary government, of which \$183,746,549 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, 2014, is shown below (expressed in thousands):



(Note 12 Continued)

	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental
	General	State Highway	Municipal Bond Bank	Permanent School		
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Municipal securities	\$ -	\$ -	\$ 255,620	\$ -	\$ -	\$ 255,620
Long term notes/loans receivable	14,911	-	-	-	-	14,911
Inventory	10,958	15,857	-	-	486	27,301
Advances	3,175	-	-	-	-	3,175
Prepaid items	10,211	2,312	-	-	612	13,135
Permanent fund principal	-	-	-	324,391	468	324,859
<b>Restricted for:</b>						
Capital projects	-	-	-	-	115,945	115,945
Conservation, parks and land	33,348	-	-	-	14,924	48,272
Debt service	-	-	-	-	26,312	26,312
Environmental protection	7,130	-	-	-	-	7,130
Health and social services	3,246	-	-	-	65,353	68,599
Housing, real estate & mortgage lending	3,652	-	-	-	29,970	33,622
Law, justice, and public safety	2,033	26,340	-	-	11,426	39,799
Other purposes	126	-	-	-	2,083	2,209
Regulation of business	1,790	-	-	-	5,642	7,432
Transportation	-	299,393	-	-	-	299,393
Wildlife	14,016	-	-	-	-	14,016
<b>Committed to:</b>						
Agriculture	5,026	-	-	-	448	5,474
Capital projects	-	-	-	-	7,137	7,137
College savings endowment	7,019	-	-	-	-	7,019
Conservation, parks and land	5,736	-	-	-	244	5,980
Debt service	-	-	3	-	125,875	125,878
Economic development	14,441	-	-	-	4,494	18,935
Education and support services	19,031	-	-	-	-	19,031
Environmental protection	41,353	-	-	-	7,343	48,696
Fiscal emergency	28,061	-	-	-	-	28,061
Gaming control	5,308	-	-	-	-	5,308
Health care financing and policy	32,350	-	-	-	-	32,350
Health and social services	27,584	-	-	-	3,994	31,578
Housing, real estate & mortgage lending	17,609	-	-	-	1,275	18,884
Law and justice	10,205	-	-	-	2,386	12,591
Legislative counsel bureau	27,895	-	-	-	-	27,895
Motor vehicles and public safety	13,623	1,412	-	-	-	15,035
Other purposes	9,184	-	-	-	-	9,184
Regulation of business	8,359	-	-	-	3,224	11,583
State energy office	5,337	-	-	-	-	5,337
Tobacco settlement programs	-	-	-	-	68,987	68,987
Transportation	-	8,443	-	-	-	8,443
Veterans' services	5,990	-	-	-	-	5,990
Welfare services	7,379	-	-	-	-	7,379
Wildlife	14,561	-	-	-	-	14,561
<b>Unassigned:</b>	<b>(135,789)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(135,789)</b>
<b>Total fund balances</b>	<b>\$ 274,858</b>	<b>\$ 353,757</b>	<b>\$ 255,623</b>	<b>\$ 324,391</b>	<b>\$ 498,628</b>	<b>\$ 1,707,257</b>

**C. Individual Fund Deficit  
Nonmajor Special Revenue Funds**

*Hospital Care to Indigent Persons* - The Hospital Care to Indigent Persons Fund accounts for taxes levied to provide care to indigent persons hospitalized from motor vehicle accidents, and for taxes received and payments to counties for supplemental medical assistance to indigent persons. The fund recorded a decrease in net position of \$373,823 for the year ended June 30, 2014, resulting in negative net position of \$190,129 at June 30, 2014.

**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 an increase in net position of \$1,957,106 for the year ended June 30, 2014, resulting in negative net position of \$54,176,807 at June 30, 2014.

**Note 13 - Principal Tax Revenues**

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

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for most non-gaming taxes. The following are the primary non-gaming tax revenues:

*Sales and Use Taxes* are imposed at a minimum rate of 6.85%, with county and local option up to an additional 1.25%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

*Modified Business Tax* is imposed at different rates for businesses and financial institutions. If the sum of all the wages paid by the employer exceeds \$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.

*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 14 - 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 15 - 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.

The State is litigating vigorously a Fair Labor Standards Act action brought by correctional officers against the State of Nevada's Department of Corrections, for back wages and overtime pay. The plaintiffs have yet to provide their actual damage amount. If the plaintiffs are successful in obtaining certification and in proving all of their claims, the back wages and overtime pay for three years could result in liability of \$40.0 million or more.

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 \$113.6 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

The Department of Taxation has litigated vigorously two lawsuits of like nature against utility companies. The lawsuits arose 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. The State won both cases in the Nevada Supreme Court and the 1<sup>st</sup> Judicial District Court. The utility companies have yet to appeal. The use tax distribution is shared between the State, counties and local governments. If the utility companies appeal and are successful, the State's exposure upon a potentially unfavorable outcome is \$43.1 million.

The State instituted a claim for declaratory relief relating to its actions in 2008 in terminating a forward delivery investment agreement between the State and Lehman Brothers Commercial Bank, a Utah industrial bank (LBCB). LBCB claimed that as a result of the termination, the State owed LBCB \$30.0 million. The State prevailed on the merits in state district court. LBCB has appealed that decision to the Nevada Supreme Court. In August of 2014 the briefing on the matter concluded and the Court has ordered the matter submitted for decision without oral argument. A decision could be issued at any time.

The Nevada Department of Transportation (NDOT) in an inverse condemnation case is taking a parcel for the I-15 road improvement project known as Project NEON, in Las Vegas. The landowner filed its preemptory claim against NDOT in hope to recover attorney fees. NDOT filed a motion to dismiss. There is a reasonable possibility of an unfavorable outcome for NDOT in the amount of \$6.6 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 \$967.6 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, 2014 amounted to \$35.6 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, 2014 (expressed in thousands):



(Note 15 Continued)

For the Year Ending June 30	Amount
2015	\$ 26,739
2016	21,535
2017	17,486
2018	12,566
2019	9,409
2020-2024	24,985
2025-2029	5,779
2030-2034	527
<b>Total</b>	<b>\$ 119,026</b>

*Federal Grants* - The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2014, 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 \$571,000 and has been recorded as a liability in the Statement of Net Position at June 30, 2014. Future calculations might result in different rebateable arbitrage amounts.

*Nonexchange Financial Guarantees* - The 1997 Nevada Legislature added NRS 387.513 through 387.528, allowing school districts to enter into guarantee agreements with the State Treasurer whereby money in the Permanent School Fund may be used to guarantee the debt service payments on certain bonds issued by Nevada school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Total bond guarantees at June 30, 2014 were \$200.4 million which includes accrued interest of \$1.3 million. The bonds mature at various intervals through fiscal year 2042. In the event any school district was unable to make a required payment, the State Treasurer would

withdraw from the State Permanent School Fund the amount needed to cover the debt service payment. Any amount withdrawn would be deemed a loan to the school district from the State Permanent School Fund, and the State Treasurer would determine the rate of interest on the loan. Repayment would be taken from distributions from the State Distributive School Account.

*Encumbrances* - As of June 30, 2014, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	Amount
General Fund	\$ 8,838
State Highway	3,976
Nonmajor governmental funds	260
<b>Total</b>	<b>\$ 13,074</b>

*Construction Commitments* - As of June 30, 2014, the Nevada Department of Transportation had total contractual commitments of approximately \$127.4 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total \$24.1 million.

**B. Discretely Presented Component Units**

*Nevada System of Higher Education (NSHE)* - As of June 30, 2014, 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 NSHE cannot be reasonably determined as of June 30, 2014.

The NSHE 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



(Note 15 Continued)

affect the net position, changes in net position or cash flows of the NSHE.

The estimated cost to complete property authorized or under construction at June 30, 2014 is \$193.0 million. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents, at its June 6, 2014 meeting, approved the issuance of a Promissory Note in an amount up to \$2.0 million. The authorized note is not expected to be issued until calendar year 2015.

The Board of Regents approved at its June 6, 2014 meeting the issuance of up to \$85.0 million of State of Nevada General Obligation (Limited Tax) University System Bonds (Revenue Supported). These bonds will be secured by a general obligation of the State of Nevada and pledged revenues collected by the State. The bonds are expected to be issued during fiscal year 2015.

*Colorado River Commission (CRC)* - The CRC may from time to time be a party in various litigation matters. It is

management's opinion, based upon advice from legal counsel, that the risk of financial losses to CRC from such litigation, if any, will not have a material adverse effect on CRC's future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

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

*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, 2014, the NCIC has fulfilled \$5.7 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 16 - Subsequent Events

### A. Primary Government

*Nevada Housing Division* - On September 22, 2014, the Division launched the Home is Possible Down Payment (HiP-D) Grant program to offer single-family mortgages to qualified homeowners. The HiP-D program uses the To Be Announced (TBA) pass-through securities market to generate funds for mortgage loans. The TBA model provides for the generation of a significant premium on the sale of pooled mortgage-backed securities and provides a positive revenue stream to the Division. Via the HiP-D program, the Division's network of approved lenders fund loans and associated down payment grants on behalf of the Division. The lenders then sell the loans to the Division's master servicer, U.S. Bank. The Division has partnered with Raymond James as its investment partner who buys the securitized mortgage pools provided by the master servicer. Raymond James assumes all of the TBA hedging risk in this program and the Division, as the programs sponsor, receives a fee from each completed loan.

### B. Discretely Presented Component Units

*Nevada System of Higher Education* - The Board of Regents, at its June 6, 2014 meeting, approved the issuance of up to \$36.2 million of NSHE Certificates of Participation. NSHE issued \$34.2 million of such certificates on August 7, 2014.

The Board of Regents, at its June 6, 2014 meeting, approved the issuance of a promissory Note in an amount up to \$16.0 million. On August 14, 2014, NSHE issued such note as a draw-down line of credit with an initial draw of \$100,000.

### C. New Accounting Pronouncement

For the year ended June 30, 2014, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. In conjunction with GASB No. 67, pension plan participating employers are required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (effective for fiscal years beginning after June 15, 2014). This Statement establishes accounting and financial reporting requirements for contributing employers related to the recognition of pension expense and pension liabilities. Prior to this standard, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions and require the unfunded portion of the pension liability to be proportioned among the participating employers.



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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2014



NEVADA

### Note 17 - Accounting Changes and Restatements

The State implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, in the current year which changed classifications on the Statement of Net Position to include new categories for deferred outflows of resources and deferred inflows of resources. The Statement of Net Position shows \$15,590,000 in deferred outflows of resources and \$704,000 in deferred inflows of resources at June 30, 2014.

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

For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Sources of Financial Resources</b>				
Fund balances, July 1	\$ 723,100,929	\$ 723,100,929	\$ 723,100,929	\$ -
<b>Revenues:</b>				
Sales taxes	969,852,700	969,852,700	967,706,171	(2,146,529)
Gaming taxes, fees, licenses	871,705,421	871,705,421	881,839,657	10,134,236
Intergovernmental	2,405,052,919	2,769,343,119	2,416,191,428	(353,151,691)
Other taxes	1,373,173,165	1,400,134,773	1,334,278,598	(65,856,175)
Sales, charges for services	205,819,415	225,814,924	211,948,671	(13,866,253)
Licenses, fees and permits	573,960,891	598,856,774	589,655,179	(9,201,595)
Interest	8,721,423	9,345,442	1,630,405	(7,715,037)
Other	297,402,334	343,198,237	291,461,908	(51,736,329)
<b>Other financing sources:</b>				
Proceeds from sale of bonds	-	3,253,000	3,257,915	4,915
Transfers	548,842,572	738,761,089	612,674,051	(126,087,038)
Reversions from other funds	-	-	1,703,169	1,703,169
<b>Total sources</b>	<b>7,977,631,769</b>	<b>8,653,366,408</b>	<b>8,035,448,081</b>	<b>(617,918,327)</b>
<b>Uses of Financial Resources</b>				
<b>Expenditures and encumbrances:</b>				
Elected officials	193,355,973	200,688,036	168,611,074	32,076,962
Legislative and judicial	95,225,125	97,799,768	65,940,744	31,859,024
Finance and administration	80,783,112	84,117,808	64,269,344	19,848,464
Education	2,742,391,078	2,884,409,499	2,740,544,271	143,865,228
Human services	3,519,626,351	3,734,030,262	3,446,837,196	287,193,066
Commerce and industry	361,909,630	394,411,340	304,888,654	89,522,686
Public safety	402,573,124	438,984,552	382,108,839	56,875,713
Infrastructure	310,086,686	393,052,182	178,112,420	214,939,762
Special purpose agencies	50,632,720	106,223,769	61,197,806	45,025,963
<b>Other financing uses:</b>				
Transfers to other funds	34,836,180	42,374,764	42,374,764	-
Reversions to other funds	-	-	580,795	(580,795)
<b>Projected reversions</b>	<b>(40,000,000)</b>	<b>(40,000,000)</b>	<b>-</b>	<b>(40,000,000)</b>
<b>Total uses</b>	<b>7,751,419,979</b>	<b>8,336,091,980</b>	<b>7,455,465,907</b>	<b>880,626,073</b>
<b>Fund balances, June 30</b>	<b>\$ 226,211,790</b>	<b>\$ 317,274,428</b>	<b>\$ 579,982,174</b>	<b>\$ 262,707,746</b>



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
\$ 131,663,989	\$ 131,663,989	\$ 131,663,989	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
321,846,293	354,935,550	332,901,740	(22,033,810)	-	-	-	-
300,456,700	312,238,381	308,031,749	(4,206,632)	-	-	-	-
16,781,007	17,239,407	18,001,798	762,391	-	-	-	-
185,422,107	195,278,438	194,564,353	(714,085)	-	-	-	-
202,814	556,215	575,580	19,365	16,328,629	16,328,629	11,027,602	(5,301,027)
47,872,887	28,742,375	23,983,484	(4,758,891)	-	-	4,815,000	4,815,000
-	100,026,125	100,018,664	(7,461)	-	-	-	-
11,592,815	20,025,142	18,970,417	(1,054,725)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,015,838,612</u>	<u>1,160,705,622</u>	<u>1,128,711,774</u>	<u>(31,993,848)</u>	<u>16,328,629</u>	<u>16,328,629</u>	<u>15,842,602</u>	<u>(486,027)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
194,084,818	202,569,562	178,411,690	24,157,872	-	-	-	-
614,173,155	789,198,769	541,256,921	247,941,848	-	-	-	-
-	-	-	-	-	-	-	-
73,869,114	75,563,773	75,563,773	-	16,328,629	16,328,629	15,840,391	488,238
-	-	33,476	(33,476)	-	-	-	-
<u>(46,302,875)</u>	<u>(130,302,875)</u>	<u>-</u>	<u>(130,302,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>835,824,212</u>	<u>937,029,229</u>	<u>795,265,860</u>	<u>141,763,369</u>	<u>16,328,629</u>	<u>16,328,629</u>	<u>15,840,391</u>	<u>488,238</u>
<u>\$ 180,014,400</u>	<u>\$ 223,676,393</u>	<u>\$ 333,445,914</u>	<u>\$ 109,769,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,211</u>	<u>\$ 2,211</u>

## Notes to Required Supplementary Information Budgetary Reporting



NEVADA

For the Fiscal Year Ended June 30, 2014

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 27 are reported instead of the amounts disclosed in the original budget. The August 27, 2014 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, 2014 budget as permitted by NRS 353.220.

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

	General Fund	State Highway	Municipal Bond Bank
<b>Fund balances (budgetary basis) June 30, 2014</b>	\$ 579,982	\$ 333,446	\$ 2
<b>Adjustments:</b>			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	3,921	172	-
Investments not recorded on the budgetary basis	10,858	-	255,620
Accrual of certain other receivables	204,528	726	1
Inventory	10,958	18,155	-
Advances to other funds	8,505	-	-
Accrual of certain accounts payable and other liabilities	(325,412)	-	-
Unearned revenues	(138,241)	-	-
Deferred inflows - unavailable	(99,155)	-	-
Encumbrances	8,838	3,976	-
Other	(1,242)	(2,718)	-
<i>Perspective differences:</i>			
Special revenue fund reclassified to General Fund for GAAP purposes	11,318	-	-
<b>Fund balances (GAAP basis) June 30, 2014</b>	<u>\$ 274,858</u>	<u>\$ 353,757</u>	<u>\$ 255,623</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2014, 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)	\$ 579,982
Restricted funds	<u>(403,540)</u>
<b>Unrestricted fund balance (budgetary basis)</b>	<u>\$ 176,442</u>

## Schedule of Funding Progress Pension Plans



NEVADA

For the Fiscal Year Ended June 30, 2014

### 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. Beginning with July 1, 2010, the Plan changed the biennial valuation 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
07/01/10	\$ 5,608	\$ 4,134	\$ 1,474	74%	N/A	N/A
06/30/12	5,578	3,806	1,772	68%	N/A	N/A
06/30/14	5,550	4,303	1,247	78%	N/A	N/A

\*Stipend legislators received does not qualify as payroll for purposes of GASB 67/68

Trends can be affected by the assets of the Plan, investment experience (favorable or unfavorable), characteristics of the covered members and beneficiaries, salary experience and retirement experience. 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, 2014, is based on financial data as of that date. 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
06/30/12	\$ 93,133	\$ 63,934	\$ 29,199	69%	\$ 16,635	176%
06/30/13	102,125	73,887	28,238	72%	17,186	164%
06/30/14	107,994	85,612	22,382	79%	18,934	118%

Trends can be affected by the assets of the Plan, investment experience (favorable or unfavorable), characteristics of the covered members and beneficiaries, salary experience and retirement experience. 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, 2014

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. 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 condition assessments show the condition level of the roadways for categories IV and V below the State's minimum percentage. Categories IV and V are non-national highway system roadways. Management is aware of the decline and will continue to monitor the results of future condition assessments. Considering the results of all three condition assessments together, they provide reasonable assurance that the condition level of the roadways is being preserved above, or approximately at, 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					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2012 condition assessment	84%	85%	84%	32%	9%
Actual results of 2011 condition assessment	56%	79%	67%	30%	9%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%

Condition Level of the Bridges			
Percentage of substandard bridges			
	2012	2011	2009
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	4%	4%	5%

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

Maintenance and Preservation Costs					
(Expressed in Thousands)					
	2014	2013	2012	2011	2010
Estimated	\$ 433,338	\$ 402,650	\$ 322,210	\$ 490,910	\$ 181,054
Actual	360,904	325,313	304,333	404,871	151,448

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, 2014, 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 19, 2014. 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 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 of the financial statements, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency we consider to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-A to be a material weakness.

*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. However, we did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **The State of Nevada's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Reno, Nevada  
December 19, 2014



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

### **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 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, 2014. 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 \$284,544,649 in Federal awards that are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2014. 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 19, 2014, 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 the Social Security \_Disability Insurance Program and the National Bioterrorism Hospital Preparedness Program**

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding CFDA 96.001 Social Security\_Disability Insurance Program as described in Finding 2014-015 for Special Tests and Provisions, and CFDA 93.889 National Bioterrorism Hospital Preparedness Program as described in Finding 2014-033 for Subrecipient Monitoring. Compliance with such requirement is necessary, in our opinion, for the State to comply with the requirements applicable to the Social Security\_Disability Insurance Program and the National Bioterrorism Hospital Preparedness Program.

## **Qualified Opinion on Social Security \_Disability Insurance Program and the National Bioterrorism Hospital Preparedness 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 Social Security\_Disability Insurance Program and the National Bioterrorism Hospital Preparedness Program for the year ended June 30, 2014.

## **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, 2014.

## **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 2014-030, 2014-034 and 2014-038, and 2014-043.

The State's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 2014-001, 2014-015 and 2014-033 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 2014-002 through 2014-014, 2014-016 through 2014-032, and 2014-034 through 2014-046 to be significant deficiencies.

The State's response to the internal control over compliance findings identified in our audit is included in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 19, 2014, 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.



Reno, Nevada  
March 18, 2015

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Department of the Interior</b>				
<b>Research and Development CLUSTER</b>				
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2003	\$ 7,911	\$ 7,911
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	19,787	19,787
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2008	52,541	52,541
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	3,323	3,323
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2011	73,120	53,903
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2012	197,943	47,943
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2013	3,521	-
			<u>358,146</u>	<u>185,408</u>
			<u>358,146</u>	<u>185,408</u>
			<u>358,146</u>	<u>185,408</u>
<b>Total Research and Development CLUSTER</b>				
<b>Total Department of the Interior</b>				
<b>Department of Transportation</b>				
<b>Research and Development CLUSTER</b>				
Highway Planning and Construction	20.205	HIGHWAY SFY14 R&D	2,116,028	-
State Planning and Research	20.515	NV-80-0017-00	62,005	62,005
			<u>2,178,033</u>	<u>62,005</u>
			<u>2,178,033</u>	<u>62,005</u>
<b>Total Research and Development CLUSTER</b>				
<b>Total Department of Transportation</b>				
<b>Environmental Protection Agency</b>				
<b>Research and Development CLUSTER</b>				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	99T08101	3,160	-
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-98962701	31,189	-
			<u>34,349</u>	<u>-</u>
Regional Wetland Program Development Grants	66.461	CD-00173101-0	70,701	-
			<u>105,050</u>	<u>-</u>
			<u>105,050</u>	<u>-</u>
<b>Total Research and Development CLUSTER</b>				
<b>Total Environmental Protection Agency</b>				
<b>Department of Health and Human Services</b>				
<b>Research and Development CLUSTER</b>				
Food and Drug Administration_Research	93.103	1U18FD004436-01	21,409	-
Food and Drug Administration_Research	93.103	5R13FD003966-05	7,949	-
Food and Drug Administration_Research	93.103	5U18FD004436-02	235,489	-
			<u>264,847</u>	<u>-</u>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Primary Care Services_Resource Coordination and Development	93.130	5	U688HP11441-05-00	167,648	-
Primary Care Services_Resource Coordination and Development	93.130	U68HP11441		42,018	-
				<b>209,666</b>	<b>-</b>
Injury Prevention and Control Research and State and Community Based Programs	93.136	1	U68HP11441-05-00	66,372	48,088
Injury Prevention and Control Research and State and Community Based Programs	93.136	1	U68HP11441-05-00	229,051	138,572
				<b>295,423</b>	<b>186,660</b>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1	U68HP11441-05-00	301,899	-
<b>Total Research and Development CLUSTER</b>				<b>1,071,835</b>	<b>186,660</b>
<b>Total Department of Health and Human Services</b>				<b>1,071,835</b>	<b>186,660</b>
<b>Grand Total Research and Development CLUSTER</b>				<b>3,713,064</b>	<b>434,073</b>
<b>Department of Agriculture</b>					
<b>Child Nutrition CLUSTER</b>					
School Breakfast Program	10.553	7	U68HP11441-05-00	22,330,585	22,198,200
School Breakfast Program	10.553	7	U68HP11441-05-00	3,667,251	3,635,482
				<b>25,997,836</b>	<b>25,833,682</b>
National School Lunch Program	10.555	7	U68HP11441-05-00	75,764,767	75,539,693
National School Lunch Program	10.555	7	U68HP11441-05-00	12,999,929	12,945,982
National School Lunch Program	10.555	7	U68HP11441-05-00	9,010,471	8,989,402
				<b>97,775,167</b>	<b>97,475,077</b>
Special Milk Program for Children	10.556	7	U68HP11441-05-00	96,861	96,861
Special Milk Program for Children	10.556	7	U68HP11441-05-00	21,811	21,811
				<b>118,672</b>	<b>118,672</b>
Summer Food Service Program for Children	10.559	7	U68HP11441-05-00	290,161	274,806
Summer Food Service Program for Children	10.559	7	U68HP11441-05-00	929,846	893,046
				<b>1,220,007</b>	<b>1,167,852</b>
<b>Total Child Nutrition CLUSTER</b>				<b>125,111,682</b>	<b>124,595,283</b>
<b>Food Distribution CLUSTER</b>					
Commodity Supplemental Food Program	10.565	7	U68HP11441-05-00	357,728	-
Commodity Supplemental Food Program	10.565	7	U68HP11441-05-00	162,380	-
Commodity Supplemental Food Program	10.565	7	U68HP11441-05-00	1,767,617	1,767,617
				<b>2,287,725</b>	<b>1,767,617</b>
Emergency Food Assistance Program (Administrative Costs)	10.568	7	U68HP11441-05-00	399,149	3,370
Emergency Food Assistance Program (Administrative Costs)	10.568	7	U68HP11441-05-00	114,960	7,037
				<b>514,109</b>	<b>10,407</b>



**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Emergency Food Assistance Program (Food Commodities)	10.569	Emergency Food Assistance Commodities	5,651,669	5,641,961
Emergency Food Assistance Program (Food Commodities)	10.569	Emergency Food Assistance Dairy Commodities	2,192	2,192
			<u>5,653,861</u>	<u>5,644,153</u>
<b>Total Food Distribution Cluster</b>			<b>8,455,695</b>	<b>7,422,177</b>
<b>Forest Service Schools and Roads Cluster</b>				
Schools and Roads_ Grants to States	10.665	Schools and Roads Grants to States	3,521,631	3,521,631
			<u>3,521,631</u>	<u>3,521,631</u>
<b>Total Forest Service Schools and Roads Cluster</b>				
<b>SNAP Cluster</b>				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SNAP Admin Matching	532,382,176	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV300AG2	105,014	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4, 7NV4004NV 2013	6,133,270	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4, 7NV4004NV, 7NV430NV4 2014	15,020,419	1,105,841
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV4, 7NV430NV4 2014	389,102	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV5 2013	857,405	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV400NV5 2014	265,713	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV420NVX 2013	155,356	-
			<u>22,926,279</u>	<u>1,105,841</u>
<b>Total SNAP Cluster</b>			<b>555,308,455</b>	<b>1,105,841</b>
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	82,168	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-8532-0016-CA	76,221	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-8532-0526-CA	12,070	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-8532-1449-CA	16,991	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-8532-1594-CA	2,025	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-9732-2167-CA	3,094	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-9732-2194-CA	2,489	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-8532-0016-CA	90,021	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-8532-0526-CA	2,277	-

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Through Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Plant and Animal Disease, Pest Control, and Animal Care	10.025		13-8532-1449-CA	10,584	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025		13-8532-1594-CA	5,000	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025		13-8532-1655-CA	25,693	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025		13-8532-1691-CA	665	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025		13-9732-2167-CA	14,846	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025		13-9732-2214-CA	16,901	-
				<b>361,045</b>	<b>-</b>
Federal-State Marketing Improvement Program	10.156		12-25-G-1508	20,232	14,775
Market Protection and Promotion	10.163		12-25-A-5433	4,055	-
Specialty Crop Block Grant Program - Farm Bill	10.170		12-25-B-1081	21,144	21,114
Specialty Crop Block Grant Program - Farm Bill	10.170		12-25-B-1241	128,560	31,548
Specialty Crop Block Grant Program - Farm Bill	10.170		12-25-B-1474	79,936	35,699
Specialty Crop Block Grant Program - Farm Bill	10.170		12-25-B-1683	73,873	66,425
				<b>303,513</b>	<b>154,786</b>
Organic Certification Cost Share Programs	10.171		12-25-A-5649	4,703	-
Organic Certification Cost Share Programs	10.171		12-25-A-5715	6,864	-
				<b>11,567</b>	<b>-</b>
Homeland Security_Agricultural	10.304		2012-37620-19626	1,626	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		7NV700NV1	336,536	336,536
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		7NV700NV1-20125347	136,610	136,610
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		7NV700NV7-2012347&647	(56,034)	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		7NV700NV7-20135347&5647	13,004,881	2,823,715
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		7NV700NV7-20145347&5647	33,902,441	7,891,210
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		WIC Program Income	7,424	-
				<b>47,331,858</b>	<b>11,188,071</b>
Child and Adult Care Food Program	10.558		7NV300AG3	6,167,350	6,079,142
Child and Adult Care Food Program	10.558		7NV300AG4	136,694	136,694
Child and Adult Care Food Program	10.558		7NV300NV3	137,989	117,158
Child and Adult Care Food Program	10.558		Child & Adult Food Care Program Commodities	58,746	58,746
				<b>6,500,779</b>	<b>6,391,740</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Through Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Administrative Expenses for Child Nutrition	10.560	7NV300AG2		1,544,944	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2		240,312	-
				<b>1,785,256</b>	<b>-</b>
Food Distribution Program on Indian Reservations	10.567	7NV400AG4		229,339	13,121
Food Distribution Program on Indian Reservations	10.567	7NV400NP4		55,407	-
Food Distribution Program on Indian Reservations	10.567	Food Distribution Program on Indian Res. Commodities		375,228	-
				<b>659,974</b>	<b>13,121</b>
Farm to School Grant Program	10.575	CN-F2S-IMPL-13-NV-01		48,639	3,305
Senior Farmers Market Nutrition Program	10.576	7NV810AG2		100,481	75,181
Senior Farmers Market Nutrition Program	10.576	7NV810NV2		63,568	52,557
				<b>164,049</b>	<b>127,738</b>
ARRA - WIC Grants to States	10.578A	WIEB-09-NV-01		1,049,313	1,023,426
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV2-20124347		164,535	164,535
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV310NV2-20134347		282,752	276,044
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV300013		9,385	9,385
Child Nutrition Discretionary Grants Limited Availability	10.579	8NV310001-20124330		46,716	-
				<b>503,388</b>	<b>449,964</b>
Fresh Fruit and Vegetable Program	10.582	7NV300NV1		288,836	287,280
Fresh Fruit and Vegetable Program	10.582	7NV310AG1		1,731,834	1,710,931
				<b>2,020,670</b>	<b>1,998,211</b>
Cooperative Forestry Assistance	10.664	09-DG-11046000-601		1,205,140	29,825
Cooperative Forestry Assistance	10.664	09-DG-11046000-607		1,055,805	599,151
Cooperative Forestry Assistance	10.664	10-DG-11046000-612		537,716	223,314
Cooperative Forestry Assistance	10.664	10-DG-11046000-631		54,858	-
Cooperative Forestry Assistance	10.664	11-DG-11046000-607		765,406	154,058
Cooperative Forestry Assistance	10.664	11-DG-11046000-616		126,909	-
Cooperative Forestry Assistance	10.664	12-DG-11046000-603		614,301	21,267
Cooperative Forestry Assistance	10.664	12-DG-11046000-614		56,608	-
Cooperative Forestry Assistance	10.664	13-DG-11046000-608		377,217	-
Cooperative Forestry Assistance	10.664	13-DG-11046000-612		77,605	-
				<b>4,871,565</b>	<b>1,027,615</b>
Forest Legacy Program	10.676	10-DG-11046000-601		11,861	-
Forest Legacy Program	10.676	11-DG-11046000-624		14,599	-
				<b>26,460</b>	<b>-</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Forest Health Protection	10.680	11-DG-11046000-603	8,325	4,329
Forest Health Protection	10.680	11-DG-11046000-614	57,338	37,938
Forest Health Protection	10.680	11-DG-11046000-609	8,589	4,970
Forest Health Protection	10.680	12-DG-11046000-610	48,321	22,191
Forest Health Protection	10.680	12-DG-11046000-612	2,032	-
Forest Health Protection	10.680	13-DG-11046000-605	14,718	2,387
Forest Health Protection	10.680	13-DG-11046000-609	15,234	-
			<b>154,557</b>	<b>71,815</b>
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-026	424,325	424,325
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-027	219	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-030	2,861	1,014
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-032	950	950
			<b>428,355</b>	<b>426,289</b>
Environmental Quality Incentives Program	10.912	68-9327-12-16	5,272	-
			<b>758,649,636</b>	<b>159,535,788</b>
<b>Total Department of Agriculture</b>				
<b>Department of Commerce</b>				
State and Local Implementation Grant Program	11.549	32-10-S13032	107,913	-
			<b>107,913</b>	<b>-</b>
<b>Total Department of Commerce</b>				
<b>Department of Defense</b>				
Procurement Technical Assistance for Business Firms	12.002	SP4800-12-2-1224	1,794	-
Procurement Technical Assistance for Business Firms	12.002	SP4800-13-2-1324	74,826	-
			<b>76,620</b>	<b>-</b>
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W912DY-12-2-0230	332,975	-
EASE 2.0	12.219	H98210-13-1-0006	57,708	-
Military Construction, National Guard	12.400	W9124X-08-2-2001	2,711,717	-
Military Construction, National Guard	12.400	W9124X-09-2-2001	1,793,766	-
Military Construction, National Guard	12.400	W9124X-11-2-2001	168,983	-
			<b>4,674,466</b>	<b>-</b>
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001	6,966,521	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY11	106,428	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1001 FFY12	1,512,476	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1002	420,669	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1003	2,030,422	-

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**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-	Through Number	Number	Expenditures	Payments to Subrecipients
Program Title						
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1004		12.401	235,101	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1005		12.401	1,102,166	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1010		12.401	61,727	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1021		12.401	1,018,328	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1023		12.401	416,567	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1024		12.401	1,366,196	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1040		12.401	90,821	-
					<b>15,327,422</b>	<b>-</b>
					<b>20,469,191</b>	<b>-</b>
<b>Total Department of Defense</b>						
<b>Department of Housing and Urban Development</b>						
<b>CDBG_State Administered CDBG CLUSTER</b>						
Community Development Block Grants/State's Program	14.228	B-08-MN-32-0001		14.228	726,116	726,116
Community Development Block Grants/State's Program	14.228	B-11-DN-32-0001		14.228	1,982,242	1,981,063
Community Development Block Grants/State's Program	14.228	B-12-DC-32-0001		14.228	1,318,505	1,206,979
Community Development Block Grants/State's Program	14.228	B-13-DC-32-0001		14.228	279,672	253,503
					<b>4,306,535</b>	<b>4,167,661</b>
					<b>4,306,535</b>	<b>4,167,661</b>
<b>Total CDBG_State Administered CDBG CLUSTER</b>						
Emergency Shelter Grants Program	14.231	E11-DC-32-0001		14.231	111,735	111,731
Emergency Shelter Grants Program	14.231	E12-DC-32-0001		14.231	237,022	236,378
Emergency Shelter Grants Program	14.231	E13-DC-32-0001		14.231	163,381	163,148
					<b>512,138</b>	<b>511,257</b>
Shelter Plus Care	14.238	NV0005L9T001205		14.238	1,276,309	-
Shelter Plus Care	14.238	NV0018L9T011205		14.238	381,068	379,163
Shelter Plus Care	14.238	NV0023L9T021204		14.238	152,818	100,839
Shelter Plus Care	14.238	NV0032L9T011204		14.238	60,640	60,520
Shelter Plus Care	14.238	NV0060B9T001100		14.238	251,704	-
					<b>2,122,539</b>	<b>540,522</b>
HOME Investment Partnerships Program	14.239	M06-SG320100		14.239	166,625	166,625
HOME Investment Partnerships Program	14.239	M07-SG320100		14.239	304,601	304,601
HOME Investment Partnerships Program	14.239	M08-SG320100		14.239	428,312	341,777
HOME Investment Partnerships Program	14.239	M09-SG320100		14.239	1,045,108	922,736
HOME Investment Partnerships Program	14.239	M10-SG320100		14.239	765,888	765,888
HOME Investment Partnerships Program	14.239	M11-SG320100		14.239	1,146,594	1,146,594
HOME Investment Partnerships Program	14.239	M12-SG320100		14.239	533,741	533,741
HOME Investment Partnerships Program	14.239	M13-SG320100		14.239	935,344	444,000
					<b>5,326,213</b>	<b>4,625,962</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Through Number Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Housing Opportunities for Persons with AIDS	14.241	NVH13-F999	231,064	231,064
Continuum of Care Program	14.267	NV0005L9T001306	378,720	-
Continuum of Care Program	14.267	NV0008L9T001204	277,297	-
			<b>656,017</b>	<b>-</b>
			<b>13,154,506</b>	<b>10,076,466</b>
<b>Total Department of Housing and Urban Development</b>				
<b>Department of the Interior</b>				
<b>Fish and Wildlife CLUSTER</b>				
Sport Fish Restoration	15.605	13AF00419	1,191,806	-
Sport Fish Restoration	15.605	F08AF00124/F-45-B-1	365,921	-
Sport Fish Restoration	15.605	F09AF00184	74,982	-
Sport Fish Restoration	15.605	F11AF01332	271,097	271,097
Sport Fish Restoration	15.605	F12AF00286	19,214	-
Sport Fish Restoration	15.605	F13AF00357	102,839	13,183
Sport Fish Restoration	15.605	F13AF00390	1,307,649	-
Sport Fish Restoration	15.605	F13AF00415	20,872	-
Sport Fish Restoration	15.605	F13AF00456	301,322	-
Sport Fish Restoration	15.605	F13AF00461	193,111	-
Sport Fish Restoration	15.605	F13AF01043	102,069	-
Sport Fish Restoration	15.605	F14AF00227	22,500	-
			<b>3,973,382</b>	<b>284,280</b>
Wildlife Restoration	15.611	F10AF00650	40,162	-
Wildlife Restoration	15.611	F11AF01236	91,398	67,213
Wildlife Restoration	15.611	F13AF00313	291,212	-
Wildlife Restoration	15.611	F13AF00357	550,056	70,513
Wildlife Restoration	15.611	F13AF00415	36,696	-
Wildlife Restoration	15.611	F13AF00421	373,025	98,155
Wildlife Restoration	15.611	F13AF00457	2,793,509	63,497
Wildlife Restoration	15.611	F13AF00458	147,169	-
Wildlife Restoration	15.611	F13AF00459	787,030	125,889
Wildlife Restoration	15.611	F13AF00460	753,118	-
Wildlife Restoration	15.611	F13AF00461	907,236	-
			<b>6,770,611</b>	<b>425,267</b>
<b>Total Fish and Wildlife CLUSTER</b>			<b>10,743,993</b>	<b>709,547</b>



**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
Cultural Resource Management	15.224	L10PC00472	5,946	-
Cultural Resource Management	15.224	L11AC20132	89,181	-
			<b>95,127</b>	<b>-</b>
Distribution of Receipts to State and Local Governments	15.227	Oil and Gas Lease Distribution	101,617	101,617
Distribution of Receipts to State and Local Governments	15.227	Taylor Grazing	201,916	201,916
			<b>303,533</b>	<b>303,533</b>
Wild Horse and Burro Resource Management	15.229	L12AC20363	1,989,463	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20107	518	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L10AC20164	35,000	35,000
Fish, Wildlife and Plant Conservation Resource Management	15.231	L11AC20202	2,000	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L12AC20373	43,765	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	L12AC20542	316,560	45,952
			<b>397,843</b>	<b>80,952</b>
Southern Nevada Public Land Management Act	15.235	07-BVP-01	8,631	-
Southern Nevada Public Land Management Act	15.235	L06AC13232	5,616	-
Southern Nevada Public Land Management Act	15.235	L09AC15293	7,797	-
Southern Nevada Public Land Management Act	15.235	L09AC15298	2,764	-
Southern Nevada Public Land Management Act	15.235	L09AC15428	432	-
Southern Nevada Public Land Management Act	15.235	L10AC20022	21,580	-
Southern Nevada Public Land Management Act	15.235	L10AC20023	2,574	-
Southern Nevada Public Land Management Act	15.235	L11AC20351	23,031	-
Southern Nevada Public Land Management Act	15.235	L12AC20360	8,806	-
Southern Nevada Public Land Management Act	15.235	L12AC20374	356	-
Southern Nevada Public Land Management Act	15.235	L12AC20555	23,448	-
			<b>105,035</b>	<b>-</b>
Challenge Cost Share	15.238	L12AC20564	17,192	-
Challenge Cost Share	15.238	L12AC20565	15,686	-
			<b>32,878</b>	<b>-</b>
Minerals Leasing Act	15.437	Mineral Leases	7,998,281	7,998,281
Water Reclamation and Reuse Program	15.504	R14AP00015	293,509	-
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	R12AP20050	28,526	28,526

**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
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	2010-0059-301	67,495	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R09AP20026	78,886	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R13AP20030	216,725	-
			<b>363,106</b>	<b>-</b>
Fish and Wildlife Coordination Act	15.517	R12AP20024	3,350	-
Recreation Resources Management	15.524	R10AC20076	250,000	-
Lower Colorado River Multi-Species Conservation Program	15.538	R12AP30003	29,523	-
Lower Colorado River Multi-Species Conservation Program	15.538	R12AP30004	15,265	-
Lower Colorado River Multi-Species Conservation Program	15.538	R14AC00006	71,421	-
			<b>116,209</b>	<b>-</b>
Fish and Wildlife Management Assistance	15.608	AIS0001	109,999	-
Fish and Wildlife Management Assistance	15.608	F09AC00473	10,004	-
Fish and Wildlife Management Assistance	15.608	F10AC00889	14,977	-
Fish and Wildlife Management Assistance	15.608	F11AC01241	9,215	-
Fish and Wildlife Management Assistance	15.608	F11AC01242	124	-
Fish and Wildlife Management Assistance	15.608	F12AC00870	5,118	5,118
Fish and Wildlife Management Assistance	15.608	F12AP01236	152,021	-
Fish and Wildlife Management Assistance	15.608	F12PX01060	10,000	-
Fish and Wildlife Management Assistance	15.608	F13AC00274	4,896	-
			<b>316,354</b>	<b>5,118</b>
Cooperative Endangered Species Conservation Fund	15.615	F10AP00828	3,225	-
Cooperative Endangered Species Conservation Fund	15.615	F11AP00844	80,186	-
Cooperative Endangered Species Conservation Fund	15.615	F12AP00922	47,610	-
Cooperative Endangered Species Conservation Fund	15.615	F13AP00364	42,064	-
Cooperative Endangered Species Conservation Fund	15.615	F13AP00365	140,168	-
Cooperative Endangered Species Conservation Fund	15.615	F13AP00366	61,005	-
Cooperative Endangered Species Conservation Fund	15.615	F13AP00367	38,332	26,055
			<b>412,590</b>	<b>26,055</b>
Hunter Education and Safety Program	15.626	F1300459	64,986	-
Landowner Incentive	15.633	F08AP00221	60,348	-
Landowner Incentive	15.633	F09AP00385	41,739	-
Landowner Incentive	15.633	F09AP00386	88,579	76,766
			<b>190,666</b>	<b>76,766</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Wildlife Grants	15.634	F08AF00122	34,464	-
State Wildlife Grants	15.634	F10AF00664	18,868	-
State Wildlife Grants	15.634	F10AF00676	15,488	-
State Wildlife Grants	15.634	F11AF00997	6,470	-
State Wildlife Grants	15.634	F11AF01000	728,339	168,659
State Wildlife Grants	15.634	F11AF01236	72,535	53,341
State Wildlife Grants	15.634	F12AP00045	23,282	-
State Wildlife Grants	15.634	F13AF00357	88,006	11,166
State Wildlife Grants	15.634	F13AF00415	3,784	-
State Wildlife Grants	15.634	F13AF00640	33,477	-
			<b>1,024,713</b>	<b>233,166</b>
Historic Preservation Fund Grants-In-Aid	15.904	32-11-31935	-	19,000
Historic Preservation Fund Grants-In-Aid	15.904	32-12-41935	131,143	131,136
Historic Preservation Fund Grants-In-Aid	15.904	32-13-51935	412,041	62,000
Historic Preservation Fund Grants-In-Aid	15.904	P14AF00036	205,158	-
			<b>748,342</b>	<b>212,136</b>
Rivers, Trails and Conservation Assistance	15.921	H8360080017	25,390	-
National Park Service Conservation, Protection, Outreach and Education	15.954	P10AC00457	43,827	-
			<b>25,547,721</b>	<b>9,674,080</b>
<b>Total Department of the Interior</b>				
<b>Department of Justice</b>				
<b>JAG Program CLUSTER</b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0330	22,905	22,731
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DG-BX0019	545,231	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0105	500,021	200,715
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2508	228,525	36,424
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0508	198,393	46,714
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-MU-BX-0002	1,604,133	1,354,003
			<b>3,099,208</b>	<b>1,660,587</b>
			<b>3,099,208</b>	<b>1,660,587</b>
Sexual Assault Services Formula Program	16.017	2012-KF-AX-0045	166,771	157,048
Sexual Assault Services Formula Program	16.017	2013-KF-AX-0053	120,000	114,321
			<b>286,771</b>	<b>271,369</b>
Nevada Rural Collaborative Children Exposed to Violence Grant	16.020	2011-WX-AX-K004	85,389	83,039

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Juvenile Accountability Incentive Block Grants	16.523	2011-JB-FX-0007	165,151	135,000
Juvenile Accountability Incentive Block Grants	16.523	2013-JB-FX-0049	144,030	144,030
			<b>309,181</b>	<b>279,030</b>
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2011-JF-FX-0013	106,330	105,019
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2012-JF-FX-0049	130,306	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2013-MU-FX-0052	229,429	212,000
			<b>466,065</b>	<b>317,019</b>
Title V_Delinquency Prevention Program	16.548	2011-JP-FX-0016	804	-
National Criminal History Improvement Program (NCHIP)	16.554	2012-RU-BX-K015	97,353	-
Crime Victim Assistance	16.575	2012-VA-GX-0044	1,502,690	1,478,506
Crime Victim Assistance	16.575	2013-VA-GX-0062	2,204,050	2,154,494
			<b>3,706,740</b>	<b>3,633,000</b>
Crime Victim Compensation	16.576	2013-VC-GX-0035	2,054,000	-
Crime Victim Assistance/Discretionary Grants	16.582	2012-VF-GX-K015	30,056	72
Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0115	183,781	-
Violence Against Women Formula Grants	16.588	2010-WF-AX-0029	56,948	52,995
Violence Against Women Formula Grants	16.588	2011-WF-AX-0049	246,845	202,562
Violence Against Women Formula Grants	16.588	2012-WF-AX-0041	979,780	781,836
Violence Against Women Formula Grants	16.588	2013-WF-AX-0051	233,143	190,088
			<b>1,516,716</b>	<b>1,227,481</b>
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0010	157,930	35,046
Grants to Encourage Arrest Policies	16.590	2009-WE-AX-0010	162,244	26,527
Residential Substance Abuse Treatment for State Prisoners	16.593	2010-RT-BX-0061	88,677	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2011-RT-BX-0047	70,274	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2012-RT-BX-0029	205	-
			<b>159,156</b>	<b>-</b>
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0887	1,870,491	-
Bulletproof Vest Partnership Grant	16.607	2012-BOBX-120-62316	2,772	-
Community Prosecution and Project Safe Neighborhoods	16.609	2011-GP-BX-0042	10,039	10,039
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0118	139,874	139,874
Enforcing Underage Drinking Laws Program	16.727	2011-AH-FX-0010	284,639	284,639
Enforcing Underage Drinking Laws Program	16.727	2012-AH-FX-K001	60,993	60,993
			<b>485,506</b>	<b>485,506</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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	11,763	4,388
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2011-CD-BX-0050	54,612	54,205
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2012-CD-BX-0041	30,420	27,244
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2013-CD-BX-0026	24,483	20,942
			<b>109,515</b>	<b>102,391</b>
Congressionally Recommended Awards	16.753	2009-DI-BX-0154	39,563	-
NICS Act Record Improvement Program	16.813	2009-NS-BX-K060	35,250	-
NICS Act Record Improvement Program	16.813	2013-NS-BX-K003	16,324	-
			<b>51,574</b>	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816	2012-RJ-BX-0042	15	-
Equitable Sharing Program	16.922	SFY 2014	1,645,527	-
			<b>16,542,159</b>	<b>8,135,494</b>
<b>Total Department of Justice</b>				
<b>Department of Labor</b>				
<b>Employment Service CLUSTER</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-23010-12-55-A-32	1,710,639	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-24631-13-55-A-32	3,967,396	-
			<b>5,678,035</b>	-
Disabled Veterans' Outreach Program (DVOP)	17.801	DV-19662-10-55-5-32	855,964	-
Local Veterans' Employment Representative Program	17.804	DV-19662-10-55-5-32	604,599	-
			<b>7,138,598</b>	-
<b>Total Employment Service CLUSTER</b>				
<b>WIA CLUSTER</b>				
WIA Adult Program	17.258	AA-22954-12-55-A-32	1,969,080	1,897,023
WIA Adult Program	17.258	AA-24111-13-55-A-32	8,390,378	7,930,694
			<b>10,359,458</b>	<b>9,827,717</b>
WIA Youth Activities	17.259	AA-22954-12-55-A-32	3,978,579	3,978,579
WIA Youth Activities	17.259	AA-24111-13-55-A-32	5,006,537	4,536,157
WIA Youth Activities	17.259	AA-25372-14-55-A-32	35,059	-
			<b>9,020,175</b>	<b>8,514,736</b>
WIA Dislocated Worker Formula Grants	17.278	AA-21414-11-55-A-32	946,824	908,917
WIA Dislocated Worker Formula Grants	17.278	AA-22954-12-55-A-32	8,232,516	6,601,562
WIA Dislocated Worker Formula Grants	17.278	AA-24111-13-55-A-32	6,168,508	5,481,781
			<b>15,347,848</b>	<b>12,992,260</b>
<b>Total WIA CLUSTER</b>			<b>34,727,481</b>	<b>31,334,713</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Labor Force Statistics	17.002	LM-23062-13-75-J-32	139,019	-
Labor Force Statistics	17.002	LM-24219-14-75-j-32	602,305	-
			<b>741,324</b>	<b>-</b>
Compensation and Working Conditions	17.005	OS-23106-13-75-J-32	25,356	-
Compensation and Working Conditions	17.005	OS-24263-14-75-J-32	55,207	-
			<b>80,563</b>	<b>-</b>
Unemployment Insurance	17.225	UI Trust Fund	569,282,791	-
Unemployment Insurance	17.225	UI-21118-11-55-A-32	758,226	-
Unemployment Insurance	17.225	UI-22331-12-55-A-32	1,778,280	-
Unemployment Insurance	17.225	UI-23910-13-55-A-32	11,931,520	-
Unemployment Insurance	17.225	UI-25224-14-55-A-32	22,572,476	-
ARRA - Unemployment Insurance	17.225A	ARRA - Unemployment Insurance	1,217,600	-
			<b>607,540,893</b>	<b>-</b>
Senior Community Service Employment Program	17.235	AD-24162-13-55-A-32	451,677	435,404
Trade Adjustment Assistance	17.245	TA-22669-12-55-A-32	311,362	-
Trade Adjustment Assistance	17.245	TA-24360-13-55-A-32	44,700	-
			<b>356,062</b>	<b>-</b>
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-23010-12-55-A-32	97,463	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-24631-13-55-A-32	20,235	-
			<b>117,698</b>	<b>-</b>
Temporary Labor Certification for Foreign Workers	17.273	ES-23010-12-55-A-32	71,942	-
Temporary Labor Certification for Foreign Workers	17.273	FL-25461-14-55-A-32	15,824	-
			<b>87,766</b>	<b>-</b>
Workforce Investment Act (WIA) National Emergency Grants	17.277	EM-24462-13-60-A-32	200,454	-
Reed Act Distribution	17.299	Reed Act Distribution	969,470	-
Occupational Safety and Health_State Program	17.503	SP-23685-SP3	264,996	-
Occupational Safety and Health_State Program	17.503	SP24809-SP4	1,571,706	-
			<b>1,836,702</b>	<b>-</b>
Consultation Agreements	17.504	CS-23648-CS3	44,671	-
Consultation Agreements	17.504	CS-24772-CS4	1,044,705	-
			<b>1,089,376</b>	<b>-</b>
Mine Health and Safety Grants	17.600	MS-24405-13-55-R-32	25,194	-
Mine Health and Safety Grants	17.600	MS-25680-14-55-R-32	338,361	-
			<b>363,555</b>	<b>-</b>
<b>Total Department of Labor</b>			<b>655,701,619</b>	<b>31,770,117</b>

**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
<b>Department of Transportation</b>				
<b>Highway Planning and Construction CLUSTER</b>				
Highway Planning and Construction	20.205	HIGHWAY SFY14	321,940,940	44,536,946
ARRA - Highway Planning and Construction	20.205A	HIGHWAY SFY14 ARRA	372,119	17,477
			<b>322,313,059</b>	<b>44,554,423</b>
Recreational Trails Program	20.219	NRTP-008	2,210	2,210
Recreational Trails Program	20.219	NRTP-010	96,149	96,149
Recreational Trails Program	20.219	NRTP-011	451,558	451,558
Recreational Trails Program	20.219	NRTP-012	430,928	430,928
Recreational Trails Program	20.219	NRTP-013	188,616	113,252
Recreational Trails Program	20.219	NRTP-014	18,484	18,484
			<b>1,187,945</b>	<b>1,112,581</b>
			<b>323,501,004</b>	<b>45,667,004</b>
<b>Total Highway Planning and Construction CLUSTER</b>				
<b>Highway Safety CLUSTER</b>				
State and Community Highway Safety	20.600	NHTSA 402 FY13	1,625,470	-
State and Community Highway Safety	20.600	NHTSA 402 FY14	264,453	-
			<b>1,889,923</b>	<b>-</b>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	18X9204100NV13	582,175	165,084
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	410 Alcohol SAFETEA-LU	1,101,125	68,842
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 410 FY11	696,868	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	NHTSA 410 FY12	1,011,779	-
			<b>3,391,947</b>	<b>233,926</b>
Occupant Protection Incentive Grants	20.602	18X920405NV13	15,484	15,484
Occupant Protection Incentive Grants	20.602	405 OCCUPANT PROTECTION	69,505	69,505
Occupant Protection Incentive Grants	20.602	NHTSA 405 FY12	100,319	-
			<b>185,308</b>	<b>84,989</b>
Safety Belt Performance Grants	20.609	18X9204060NV13	27,544	-
Safety Belt Performance Grants	20.609	NHTSA 406	281,488	-
			<b>309,032</b>	<b>-</b>
State Traffic Safety Information System Improvement Grants	20.610	18X9204080NV13	71,173	48,949
State Traffic Safety Information System Improvement Grants	20.610	408 DATA PROGRAM	163,120	-
State Traffic Safety Information System Improvement Grants	20.610	NHTSA 408 FY11	266,742	-
			<b>501,035</b>	<b>48,949</b>
Incentive Grant Program to Increase Motorcyclist Safety	20.612	18X9202100NV13	56,164	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	2010 MOTORCYCLE SAFETY	61,309	-
Incentive Grant Program to Increase Motorcyclist Safety	20.612	NHTSA 2010 FY10	24,281	-
			<b>141,754</b>	<b>-</b>
			<b>6,418,999</b>	<b>367,864</b>
<b>Total Highway Safety CLUSTER</b>				



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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Transit Services Programs Cluster</b>				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0036	1,496	1,496
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0037	18,479	-
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0038	328,842	309,897
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0039	122,853	122,853
			<b>471,670</b>	<b>434,246</b>
Job Access And Reverse Commute Program	20.516	NV-37-X015	7,375	7,375
Job Access And Reverse Commute Program	20.516	NV-37-X016	8,439	8,439
			<b>15,814</b>	<b>15,814</b>
			<b>487,484</b>	<b>450,060</b>
<b>Total Transit Services Programs Cluster</b>				
Airport Improvement Program	20.106	3-32-000-009	303,235	303,235
National Motor Carrier Safety	20.218	FM-MCG-0070-12-01-02	456,380	-
National Motor Carrier Safety	20.218	FM-MCG-0114-13-01-01	964,204	-
National Motor Carrier Safety	20.218	FM-MNE-0080-12-01-00	35,318	-
National Motor Carrier Safety	20.218	FM-MNE-0114-13-01-00	100,741	-
			<b>1,556,643</b>	<b>-</b>
Commercial Driver's License Program Improvement Grant	20.232	FM-CDL-0129-13-01-00	90,920	-
Fuel Tax Evasion_ Intergovernmental Enforcement Effort	20.240	TCP1-004	331	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	3,388	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	102,066	38,980
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X031	265,663	217,207
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X032	1,867,827	1,778,377
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X035	3,653,480	3,572,164
Formula Grants for Other Than Urbanized Areas	20.509	NV-86-X0001	46,964	45,695
			<b>5,939,388</b>	<b>5,652,423</b>
Alcohol Open Container Requirements	20.607	154 Transfer Funds-AI	453,490	-
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	Dmth22-12-H-00149	56,859	-

**STATE OF NEVADA**  
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Federal Grantor / Pass-Through Grantor	CFDA	Number	Through Number	Award or Pass-	Expenditures	Payments to
Program Title				Award or Pass-		Subrecipients
National Priority Safety Programs		20.616	Map21 405B Op		283,251	-
National Priority Safety Programs		20.616	Map21 405C Data		5,784	-
National Priority Safety Programs		20.616	Map21 405D Impaired		473,674	-
National Priority Safety Programs		20.616	Map21 405F Motorcycle		2,005	-
					<b>764,714</b>	-
Pipeline Safety		20.700	DTPH56-12-G-PHPG25		714,016	-
Pipeline Safety		20.700	DTPH56-13-G-PHPG25		469,952	-
					<b>1,183,968</b>	-
Interagency Hazardous Materials Public Sector Training and Planning Grants		20.703	HM-HMP-0279-12-01-00		99,207	99,207
Interagency Hazardous Materials Public Sector Training and Planning Grants		20.703	HM-HMP-0367-13-01-00		37,924	36,309
					<b>137,131</b>	<b>135,516</b>
State Damage Prevention Program Grants		20.720	DTPH56-12-G-PHPS17		31,313	-
PHMSA Pipeline Safety Program One Call Grant		20.721	DTPH56-13-G-PHPC17		30,648	-
PHMSA Pipeline Safety Program One Call Grant		20.721	DTPH56-14-G-PHPC17		11,250	-
					<b>41,898</b>	-
					<b>340,967,377</b>	<b>52,576,102</b>
<b>Total Department of Transportation</b>						
<b>Department of Treasury</b>						
National Foreclosure Mitigation Counseling Program		21.000	PL112-55-95X1350		166,221	-
National Foreclosure Mitigation Counseling Program		21.000	PL113-6X1350		306,024	291,235
					<b>472,245</b>	<b>291,235</b>
					<b>472,245</b>	<b>291,235</b>
<b>Total Department of Treasury</b>						
<b>Equal Employment Opportunity Commission</b>						
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts		30.002	EECCN120109		398,450	-
					<b>398,450</b>	-
<b>Total Equal Employment Opportunity Commission</b>						
<b>General Services Administration</b>						
Election Reform Payments		39.011	SFY 12		23,082	-
					<b>23,082</b>	-
<b>Total General Services Administration</b>						
<b>National Foundation on the Arts and the Humanities</b>						
Promotion of the Arts_Partnership Agreements		45.025	12-6100-2058		633,703	364,017
Promotion of the Humanities_Federal/State Partnership		45.129	2013-54		1,000	-
Grants to States		45.310	LS-00-12-0029-12		327,726	-
Grants to States		45.310	LS-00-13-0029-13		1,450,386	637,877
Grants to States		45.310	LS-00-14-0029-14		131,823	131,823
					<b>1,909,935</b>	<b>769,700</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
National Leadership Grants	45.312	LG-41-10-0022-10	27,937	-
<b>Total National Foundation on the Arts and the Humanities</b>			<b>2,572,575</b>	<b>1,133,717</b>
<b>Small Business Administration</b>				
State Trade and Export Promotion Pilot Grant Program	59.061	SBAHQ-12-IT-0050	56,890	20,906
<b>Total Small Business Administration</b>			<b>56,890</b>	<b>20,906</b>
<b>Department of Veterans Affairs</b>				
State Cemetery Grants	64.203	NV-10-14	799,507	-
<b>Total Department of Veterans Affairs</b>			<b>799,507</b>	<b>-</b>
<b>Environmental Protection Agency</b>				
<b>Clean Water State Revolving Fund CLUSTER</b>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CLEAN WATER GRANTS	185,584	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-10	183,165	95,366
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-11	251,026	223,540
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000112-0	241,628	241,628
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000113-0	137,410	65,493
			<b>998,813</b>	<b>626,027</b>
<b>Total Clean Water State Revolving Fund CLUSTER</b>			<b>998,813</b>	<b>626,027</b>
<b>Drinking Water State Revolving Fund CLUSTER</b>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DRINKING WATER GRANTS	674,552	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996010	154,992	144,238
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996011	5,094,130	3,760,675
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996012	2,290,906	1,526,793
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468A	2F-00T04909	388,658	388,658
			<b>8,603,238</b>	<b>5,820,264</b>
<b>Total Drinking Water State Revolving Fund CLUSTER</b>			<b>8,603,238</b>	<b>5,820,264</b>
<b>Total Drinking Water State Revolving Fund CLUSTER</b>			<b>240,000</b>	<b>213,750</b>
State Indoor Radon Grants	66.032	K1-96963514-1		
State Clean Diesel Grant Program	66.040	DS-00T95801	201,863	200,442
Water Pollution Control_State and Interstate Program Support	66.419	I-00T20612-0	178,844	7,587
Water Pollution Control_State and Interstate Program Support	66.419	I-97933611-2	879,551	138,300
Water Pollution Control_State and Interstate Program Support	66.419	I-97933712-0	180,724	-
Water Pollution Control_State and Interstate Program Support	66.419	I-98972813-0	19,511	-
			<b>1,258,630</b>	<b>145,887</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Public Water System Supervision	66.432	F-00910514	799,999	96,152
State Underground Water Source Protection	66.433	G-00945611-0	17,000	-
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements-Section 104(b)(3) of the Clean Water Act	66.436	X7-00T696601-0	199,542	-
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements-Section 104(b)(3) of the Clean Water Act	66.436	X7-T59601-0	184,988	-
			<b>384,530</b>	<b>-</b>
Water Quality Management Planning	66.454	C6-97965913-0	8,217	8,217
Water Quality Management Planning	66.454	C6-97965914	67,489	7,489
			<b>75,706</b>	<b>15,706</b>
Nonpoint Source Implementation Grants	66.460	C9-97908109	28,055	8,115
Nonpoint Source Implementation Grants	66.460	C9-97908110	142,466	56,716
Nonpoint Source Implementation Grants	66.460	C9-97908111-0	264,624	225,151
Nonpoint Source Implementation Grants	66.460	C9-97908112-0	164,315	77,473
Nonpoint Source Implementation Grants	66.460	C9-97908113	981,850	505,977
Nonpoint Source Implementation Grants	66.460	C9-97908114-0	28,828	28,828
Nonpoint Source Implementation Grants	66.460	DEP-S 12-017	25,324	-
			<b>1,635,462</b>	<b>902,260</b>
Performance Partnership Grants	66.605	BG-00T87013-1	300,219	11,764
Performance Partnership Grants	66.605	BG-97958814-0	1,518,122	-
			<b>1,818,341</b>	<b>11,764</b>
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83387101-3	24,367	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83423201-3	4,375	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83466301	9,576	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83527701	49,846	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83606201-0	41,990	-
			<b>130,154</b>	<b>-</b>

**STATE OF NEVADA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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Federal Grantor / Pass-Through Grantor	CFDA	Number	Through Number	Award or Pass-	Expenditures	Payments to Subrecipients
Program Title				Number		
Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements		66.802	V-00T43701-4		657,951	-
Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements		66.802	V-00T84801-0		34,303	-
					<b>692,254</b>	<b>-</b>
Underground Storage Tank Prevention, Detection and Compliance Program		66.804	L-00T09601-4		494,631	139,259
Leaking Underground Storage Tank Trust Fund Program		66.805	LS-00T09401-4		683,543	137,253
State and Tribal Response Program Grants		66.817	RP-00T84901		477,466	-
					<b>18,511,630</b>	<b>8,308,864</b>
<b>Total Environmental Protection Agency</b>						
<b>Department of Energy</b>						
State Energy Program		81.041	DE-EE00003761		289,135	4,390
State Energy Program		81.041	DE-EE00004471		1,467,625	1,078,107
ARRA - State Energy Program		81.041A	DE-EE-00000084		1,708,743	-
ARRA - State Energy Program		81.041A	Program Income: ARRA SEP Grant Revolving Loan Fund		56,246	-
					<b>3,521,749</b>	<b>1,082,497</b>
Weatherization Assistance for Low-Income Persons		81.042	DE-EE00006168		655,033	589,489
Weatherization Assistance for Low-Income Persons		81.042	DE-FG26-06R021683		3	-
					<b>655,036</b>	<b>589,489</b>
Nuclear Waste Disposal Siting		81.065	Yucca Mtn FFY2006 Appropriation Act		1,247,464	-
Office of Environmental Waste Processing		81.104	DE-EM0001053		2,301,519	313
Office of Environmental Waste Processing		81.104	DE-FG52-99NV13567		553,237	-
Office of Environmental Waste Processing		81.104	DE-FG52-99NV13568		684,205	-
					<b>3,538,961</b>	<b>313</b>
Stewardship Science Grant Program		81.112	30-232-NV		61,176	61,176
State Energy Program Special Projects		81.119	DE-EE00005461		203,912	97,315
State Energy Program Special Projects		81.119	DE-EE00005868		281,365	173,001
					<b>485,277</b>	<b>270,316</b>
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis		81.122A	DE-OE00000688		18,247	-
Miscellaneous Federal Activities Actions		81.502	DE-FG52-00NV13804		374,375	374,255
					<b>9,902,285</b>	<b>2,378,046</b>
<b>Total Department of Energy</b>						
<b>Department of Education</b>						
<b>Educational Technology State Grants CLUSTER</b>						
Education Technology State Grants		84.318	S318X100028		65,221	-
					<b>65,221</b>	<b>-</b>
<b>Total Educational Technology State Grants CLUSTER</b>						

**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
<b>School Improvement Grants CLUSTER</b>				
School Improvement Grants	84.377	S377A090029	369,910	314,934
School Improvement Grants	84.377	S377A100029	1,445,540	1,383,114
School Improvement Grants	84.377	S377A110029	2,440,875	2,435,416
School Improvement Grants	84.377	S377A120029	106,117	87,084
			<b>4,362,442</b>	<b>4,220,548</b>
ARRA - School Improvement Grants, Recovery Act	84.388A	S388A090029	1,270,879	1,270,879
			<b>5,633,321</b>	<b>5,491,427</b>
<b>Total School Improvement Grants CLUSTER</b>				
<b>Special Education CLUSTER</b>				
Special Education_Grants to States	84.027	H027A110043	1,463,494	1,463,494
Special Education_Grants to States	84.027	H027A120043-12A	22,566,254	21,636,074
Special Education_Grants to States	84.027	H027A130150-13A	50,169,684	49,900,431
			<b>74,199,432</b>	<b>72,999,989</b>
Special Education_Preschool Grants	84.173	H173A110046	59,498	59,498
Special Education_Preschool Grants	84.173	H173A120046	1,161,170	1,083,225
Special Education_Preschool Grants	84.173	H173A130046	1,102,492	1,075,127
			<b>2,323,160</b>	<b>2,217,850</b>
			<b>76,522,592</b>	<b>75,217,849</b>
<b>Total Special Education CLUSTER</b>				
<b>Statewide Data Systems CLUSTER</b>				
Statewide Data Systems	84.372	R372A070010	568,522	-
			<b>568,522</b>	<b>-</b>
<b>Total Statewide Data Systems CLUSTER</b>				
Adult Education_State Grant Program	84.002	V002A120029	2,137,205	2,051,659
Adult Education_State Grant Program	84.002	V002A130029	3,387,322	3,283,102
			<b>5,524,527</b>	<b>5,334,761</b>
Title I Grants to Local Educational Agencies	84.010	S010A110028	1,423,195	1,315,674
Title I Grants to Local Educational Agencies	84.010	S010A120028-12A	32,806,268	31,663,080
Title I Grants to Local Educational Agencies	84.010	S010A130028	67,087,299	67,087,299
			<b>101,316,762</b>	<b>100,066,053</b>
Migrant Education_State Grant Program	84.011	S011A110028	142,574	24,793
Migrant Education_State Grant Program	84.011	S011A120028	58,479	58,479
Migrant Education_State Grant Program	84.011	S011A130028	32,626	32,626
			<b>233,679</b>	<b>115,898</b>
Title I Program for Neglected and Delinquent Children	84.013	S013A120028-12A	371,507	329,710
Title I Program for Neglected and Delinquent Children	84.013	S013A130028	264,505	186,034
			<b>636,012</b>	<b>515,744</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Career and Technical Education_Basic Grants to States	84.048	V048A120028-12A	1,711,894	533,852
Career and Technical Education_Basic Grants to States	84.048	V048A130028	6,439,710	6,439,710
			<b>8,151,604</b>	<b>6,973,562</b>
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A130041	4,183,041	122,396
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A140041-14A	12,192,100	224,127
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST13	402,512	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST14	522,389	-
			<b>17,300,042</b>	<b>346,523</b>
Migrant Education_Coordination Program	84.144	S144F110028	35,076	111
Migrant Education_Coordination Program	84.144	S144F120028	25,805	-
			<b>60,881</b>	<b>111</b>
Independent Living State Grants	84.169	H169A130013	83,941	60,458
Independent Living State Grants	84.169	H169A140013-14A	230,712	168,314
			<b>314,653</b>	<b>228,772</b>
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B130028	62,077	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B140028	197,070	-
			<b>259,147</b>	<b>-</b>
Special Education-Grants for Infants and Families	84.181	H181A110019	33,348	-
Special Education-Grants for Infants and Families	84.181	H181A120019	1,266,917	10,253
Special Education-Grants for Infants and Families	84.181	H181A130161	2,546,181	1,887
			<b>3,846,446</b>	<b>12,140</b>
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	H187A120042	66,251	1,996
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	H187A140042-14A	2,198	305
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	H187A130042-13A	300,000	6,989
			<b>368,449</b>	<b>9,290</b>
Education of Homeless Children and Youth	84.196	S196A100029	101,438	76,538
Education of Homeless Children and Youth	84.196	S196A110029	19,920	-
Education of Homeless Children and Youth	84.196	S196A120029	254,198	174,108
Education of Homeless Children and Youth	84.196	S196A130029	226,426	226,423
			<b>601,982</b>	<b>477,069</b>



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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Assistive Technology	84.224	H224A120028-12A	186,814	172,636
Assistive Technology	84.224	H224A130028	219,258	178,230
			<b>406,072</b>	<b>350,866</b>
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service	84.265	H265A100026-12	19,871	-
Twenty-First Century Community Learning Centers	84.287	S287C110028	536,334	505,354
Twenty-First Century Community Learning Centers	84.287	S287C120028	5,723,336	5,439,636
Twenty-First Century Community Learning Centers	84.287	S287C130028	681,488	681,488
			<b>6,941,158</b>	<b>6,626,478</b>
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A070024	128,868	21,857
Advanced Placement Program	84.330	S330B1100009	266,656	266,656
Advanced Placement Program	84.330	S330B130009	328,996	23,536
			<b>595,652</b>	<b>290,192</b>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	120,351	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S120028	4,703,991	4,497,648
			<b>4,824,342</b>	<b>4,497,648</b>
English Language Acquisition Grants	84.365	S365A110028	135,659	119,268
English Language Acquisition Grants	84.365	S365A120028	5,033,918	4,408,819
English Language Acquisition Grants	84.365	S365A130028	5,134,132	5,118,198
			<b>10,303,709</b>	<b>9,646,285</b>
Mathematics and Science Partnerships	84.366	S366B110029	225,603	225,603
Mathematics and Science Partnerships	84.366	S366B120029	398,470	331,225
Mathematics and Science Partnerships	84.366	S366B130029	43,887	-
			<b>667,960</b>	<b>556,828</b>
Improving Teacher Quality State Grants	84.367	S367A110027	73,352	6,843
Improving Teacher Quality State Grants	84.367	S367A120027-12A	1,314,828	1,129,900
Improving Teacher Quality State Grants	84.367	S367A130027	9,107,144	9,107,144
			<b>10,495,324</b>	<b>10,243,887</b>
Grants for State Assessments and Related Activities	84.369	S369A120029	3,040,407	2,131,580
Grants for State Assessments and Related Activities	84.369	S369A130029	2,136,965	1,901,399
			<b>5,177,372</b>	<b>4,032,979</b>
Striving Readers	84.371	S371C110026	338,946	338,946
Striving Readers	84.371	S371C120026	8,206,150	7,811,549
Striving Readers	84.371	S371C130026	4,466,173	4,295,061
			<b>13,011,269</b>	<b>12,445,556</b>
<b>Total Department of Education</b>			<b>273,975,437</b>	<b>243,501,775</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>National Archives and Records Administration</b>				
National Historical Publications and Records Grants	89.003	NAR13-RC-10197-13	4,149	-
			<b>4,149</b>	
<b>Total National Archives and Records Administration</b>				
<b>Election Assistance Commission</b>				
Help America Vote Act Requirements Payments	90.401	NV08RP01	676,009	-
Help America Vote Act Requirements Payments	90.401	NV09RP01	142,010	-
Help America Vote Act Requirements Payments	90.401	NV10RP01	(494)	-
			<b>817,525</b>	-
			<b>817,525</b>	-
<b>Total Election Assistance Commission</b>				
<b>Department of Health and Human Services</b>				
<b>Aging CLUSTER</b>				
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	13AANVT3SP	1,820,647	1,706,274
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	14AANVT3SS	317,336	-
			<b>2,137,983</b>	<b>1,706,274</b>
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	12AANVT3SP	6,322	-
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	13AANVT3SP	3,620,635	3,398,160
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	14AANVT3CM	779,675	127,145
			<b>4,406,632</b>	<b>3,525,305</b>
Nutrition Services Incentive Program	93.053	13AANVNSIP	516,075	516,075
Nutrition Services Incentive Program	93.053	14AANVNSIP	480,161	480,161
Nutrition Services Incentive Program	93.053	Nutrition Services Incentive Program Commodities	84,447	84,447
			<b>1,080,683</b>	<b>1,080,683</b>
			<b>7,625,298</b>	<b>6,312,262</b>
<b>Total Aging CLUSTER</b>				
<b>CCDF CLUSTER</b>				
Child Care and Development Block Grant	93.575	G-1301NVCCDF	7,944,866	2,981,150
Child Care and Development Block Grant	93.575	G-1401NVCCDF 2014G996005	460,967	-
			<b>8,405,833</b>	<b>2,981,150</b>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1301NVCCDF	3,664,225	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1401NVCCDF	15,667,582	14,861,222
			<b>19,331,807</b>	<b>14,861,222</b>
			<b>27,737,640</b>	<b>17,842,372</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
<b>Medicaid CLUSTER</b>				
State Medicaid Fraud Control Units	93.775	01-0601-NV-5050	1,452,412	-
State Medicaid Fraud Control Units	93.775	1301-NV-5050	81,392	-
State Medicaid Fraud Control Units	93.775	1401NV5050	338,676	-
			<b>1,872,480</b>	<b>-</b>
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1305-NV-5000	457,546	27,563
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1305-NV-5002	56,971	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1405-NV-5000	1,142,787	82,688
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	05-1405-NV-5002	111,978	-
			<b>1,769,282</b>	<b>110,251</b>
Medical Assistance Program	93.778	05-1305NV5ADM	9,407,260	-
Medical Assistance Program	93.778	05-1305NV5MAP	276,828,341	-
Medical Assistance Program	93.778	05-1405NV5ADM	72,960,666	-
Medical Assistance Program	93.778	05-1405NV5MAP	1,085,054,851	-
Medical Assistance Program	93.778	05-1405NVBIPP	6,202	-
Medical Assistance Program	93.778	05-1405NVIMPL	616,983	-
Medical Assistance Program	93.778	05-1405NVINCT	13,888,926	-
ARRA - Medical Assistance Program	93.778A	05-1305NVIMPL	160,191	-
ARRA - Medical Assistance Program	93.778A	05-1305NVINCT	174,250	-
			<b>1,459,097,670</b>	<b>-</b>
			<b>1,462,739,432</b>	<b>110,251</b>
<b>Total Medicaid CLUSTER</b>				
<b>TANF CLUSTER</b>				
Temporary Assistance for Needy Families	93.558	G-1302NVTANF 2013 G991524	3,639,924	-
Temporary Assistance for Needy Families	93.558	G-1302NVTANF 2013 G996115	23,731,154	-
Temporary Assistance for Needy Families	93.558	G-1402NVTANF 2014 G996115	23,722,510	-
			<b>51,293,588</b>	<b>-</b>
			<b>51,293,588</b>	<b>-</b>
<b>Total TANF CLUSTER</b>				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	12AANVT7SP	1,779	1,779
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	13AANVT7SP	14,192	471
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	14AANVT7EA	18,800	-
			<b>34,771</b>	<b>2,250</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	13AANVT7SP	45,297	-
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	14AANVT7OM	37,342	-
			<b>82,639</b>	<b>-</b>
Special Programs for the Aging, Title III, Part D_Disease Prevention and Health Promotion Services	93.043	12AANVT3SP	35,778	23,496
Special Programs for the Aging, Title III, Part D_Disease Prevention and Health Promotion Services	93.043	13AANVT3SP	96,389	97,141
Special Programs for the Aging, Title III, Part D_Disease Prevention and Health Promotion Services	93.043	14AANVT3PH	21,195	21,195
			<b>153,362</b>	<b>141,832</b>
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	9 0MP0174-02-00	136,879	-
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	90DR0042-04-00	40,426	-
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	90DR0042/03	87,469	48,186
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	90MP0174-03-00	12,499	-
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	90MP0174/01	3,000	-
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	90SP0032/01	82,232	23,261
Special Programs for the Aging, Title IV, and Title II_Discretionary Projects	93.048	90SP0103-01-00	19,499	-
			<b>382,004</b>	<b>71,447</b>
Alzheimer's Disease Demonstration Grants to States	93.051	90AE0333/01	25,315	17,634
National Family Caregiver Support	93.052	11AANVT3SP	53,446	53,446
National Family Caregiver Support	93.052	13AANVT3SP	835,577	753,841
National Family Caregiver Support	93.052	14AANVT3FC	316,003	217,172
			<b>1,205,026</b>	<b>1,024,459</b>
Public Health Emergency Preparedness	93.069	1U90TP000534-01	492,017	445,116
Public Health Emergency Preparedness	93.069	2U90TP916964-11	164,844	99,035
Public Health Emergency Preparedness	93.069	5U90TP000534-02	6,505,189	4,969,080
			<b>7,162,050</b>	<b>5,513,231</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Medicare Enrollment Assistance Program	93.071	13AANVMAAA	16,981	-
Medicare Enrollment Assistance Program	93.071	13AANVMADR	34,053	31,251
Medicare Enrollment Assistance Program	93.071	IXOCMS331259-01-00	31,459	15,461
			<b>82,493</b>	<b>46,712</b>
Lifespan Respite Care Program	93.072	90LI005/01	183,922	161,901
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	1U87PS004194-01	33,161	33,161
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU006001	221,340	214,262
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU006002	288,828	275,902
			<b>510,168</b>	<b>490,164</b>
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	5ESREP100015-03-00	56,444	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1101NVPREP	77,096	56,055
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1201NVPREP	251,522	156,107
			<b>328,618</b>	<b>212,162</b>
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MCO0032-20-00	50,177	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MCO0032-21-00	41,343	-
Maternal and Child Health Federal Consolidated Programs	93.110	H25MCO0229-09-00	66,135	20,056
			<b>157,655</b>	<b>20,056</b>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-22	403,982	311,254
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS907855-23	338,925	280,333
			<b>742,907</b>	<b>571,587</b>
Emergency Medical Services for Children	93.127	6 H33MCO6694-08-00	41,589	9,500
Emergency Medical Services for Children	93.127	H33MCO6694	10,431	-
			<b>52,020</b>	<b>9,500</b>
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-12	145,920	145,920
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016029-13	339,474	339,474
			<b>485,394</b>	<b>485,394</b>

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Family Planning_Services	93.217	5 FPHPA091175-37-00	36,233	24,663
Family Planning_Services	93.217	5-FPHPA091175-38-00	536,727	82,751
Family Planning_Services	93.217	6 FPHPA091175-36-02	(7,685)	-
			<b>565,275</b>	<b>107,414</b>
Abstinence Education Program	93.235	1201NVAEGP	153,514	67,778
Abstinence Education Program	93.235	1301NVAEGP	217,213	175,975
			<b>370,727</b>	<b>243,753</b>
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1H79T1025345-01	131,053	76,930
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SM061507	250,322	139,634
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SP020156-01	212,561	157,587
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5HR1SM059986-03	66,297	-
			<b>660,233</b>	<b>374,151</b>
Universal Newborn Hearing Screening	93.251	1 H61MC25010-01-00	48,592	16,656
Universal Newborn Hearing Screening	93.251	5 H61MC25010-02-00	149,473	46,906
			<b>198,065</b>	<b>63,562</b>
State Health Access Program	93.256	4 H2PHS16503-02-04	168,019	74,114
Immunization Grants	93.268	1H23IP000727-01	1,618,400	1,134,023
Immunization Grants	93.268	3H23IP000695-01S1	214,258	211,383
Immunization Grants	93.268	5H23IP000727-02	1,249,345	733,346
Immunization Grants	93.268	Direct Assistance	30,326,313	-
			<b>34,008,316</b>	<b>2,078,752</b>
Adult Viral Hepatitis Prevention and Control	93.270	1U51PS004092-01	25,075	7,800
Adult Viral Hepatitis Prevention and Control	93.270	5U51PS004092-02	27,034	15,232
			<b>52,109</b>	<b>23,032</b>
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U50OE000037-01	30,559	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1U58DP003929-01	(9,290)	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	3U50C1000900-02S5	324,510	67,565
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 U58SO000035-03	303,045	205,788
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U50CK000257-02	93,013	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U50OE000037-02	117,325	-

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Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP001535-05	132,223	15,705
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP002003	756,485	573,197
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP002054	507,237	310,319
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP003929-02	928,647	141,773
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5UR3D000788-02	(2,133)	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5UR3DD000788-03	128,493	-
			<b>3,310,114</b>	<b>1,314,347</b>
National Public Health Improvement Initiative	93.292	5U58CD001288-04	115,370	-
State Partnership Grant Program to Improve Minority Health	93.296	5 STTMP131092-01-00	61,187	-
State Partnership Grant Program to Improve Minority Health	93.296	6 STTMP101071-03-01	17,084	-
			<b>78,271</b>	-
State Health Insurance Assistance Program	93.324	9 OSA0044-01-00	83,372	-
ARRA - State Primary Care Offices	93.414A	1 U6AHP16573-02-02	67,651	22,855
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	1 X02MC23117	479,490	194,912
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	1D89MC26360-0100	222,776	21,692
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program	93.505	4 X02MC23117-01-01	646,696	470,393
			<b>1,348,962</b>	<b>686,997</b>
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	176,439	-
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	5U58CD001288-03	106,963	14,140
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	6 PRPPR120027-01-01	932,204	-
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	1 CAPCA120066-01-00	65,264	-
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50C1000900-02S2	180,695	107,791
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50C1000900-02S1	80,404	-
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50C1000900-02S3	15,078	15,078
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	3U50C1000900-02S4	430,832	315,310
Building and Strengthening Epidemiology, Laboratory and Health Information Systems	93.521	5U50C1000900-02	142,392	117,800
			<b>849,401</b>	<b>555,979</b>



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State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	1	HBEIE120129-01-00	11,426,992	369,474
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE110066		133,271	8,441
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE120110		2,462,785	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE120119		2,109,703	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE130171-01-00		4,309,626	1,728,295
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBEIE140192-01-01		1,101,102	-
				<b>21,543,479</b>	<b>2,106,210</b>
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	1H23IP000573-01		147,103	147,103
Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Immunization Infrastructure and Performance	93.539	3H23IP000573-01S1		1,276,432	1,038,602
				<b>1,423,535</b>	<b>1,185,705</b>
The Patient and Affordable Care Act of 2010 authorizes Coordinated Chronic Disease prevention and Health Promotion Program	93.544	3U58DP002003		217,339	67,348
Promoting Safe and Stable Families	93.556	G-1201NVFPSS		511,783	496,534
Promoting Safe and Stable Families	93.556	G-1211NVFPCV		59,214	39,539
Promoting Safe and Stable Families	93.556	G-1311NVFPCV		32,734	31,981
Promoting Safe and Stable Families	93.556	G1301NVFPSS		1,619,156	1,548,816
				<b>2,222,887</b>	<b>2,116,870</b>
Child Support Enforcement	93.563	1004NV4004 2010G9910CJ		1,434,055	1,374,356
Child Support Enforcement	93.563	1104NV4005 2011G9912CS		280,765	280,765
Child Support Enforcement	93.563	1304NV4005		3,961,355	1,188,455
Child Support Enforcement	93.563	1404NV4005 2014G9914CS		29,129,893	20,559,008
				<b>34,806,068</b>	<b>23,402,584</b>
Low-Income Home Energy Assistance	93.568	G-13B1NVLIEA		8,587,436	495,062
Low-Income Home Energy Assistance	93.568	G-14B1NVLIEA 2014G992201		3,799,366	-
				<b>12,386,802</b>	<b>495,062</b>
Community Services Block Grant	93.569	G-13B1NVCOSR		1,359,982	1,296,823
Community Services Block Grant	93.569	G-14B1NVCOSR		1,959,050	1,847,943
				<b>3,319,032</b>	<b>3,144,766</b>

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Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0155-02	41,172	41,172
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0155/01	58,937	58,937
			<b>100,109</b>	<b>100,109</b>
State Court Improvement Program	93.586	1201NVSCID	63,137	-
State Court Improvement Program	93.586	1201NVSCIP	68,698	-
State Court Improvement Program	93.586	1201NVSCIT	55,990	-
State Court Improvement Program	93.586	G-1301NVSCID	107,539	-
State Court Improvement Program	93.586	G-1301NVSCIP	110,311	-
State Court Improvement Program	93.586	G-1301NVSCIT	128,915	-
State Court Improvement Program	93.586	G-1401NVSCIT	6,163	-
			<b>540,753</b>	<b>-</b>
Community-Based Child Abuse Prevention Grants	93.590	G-1301NVFRPG	284,026	238,806
Community-Based Child Abuse Prevention Grants	93.590	G1201NVFRPG	27,234	13,131
			<b>311,260</b>	<b>251,937</b>
Grants to States for Access and Visitation Programs	93.597	1101NVSAVP	-	-
Grants to States for Access and Visitation Programs	93.597	1201NVSAVP	29,295	-
Grants to States for Access and Visitation Programs	93.597	1301NVSAVP	68,366	-
			<b>97,661</b>	<b>-</b>
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1201NVCETV	83,886	83,701
Chafee Education and Training Vouchers Program (ETV)	93.599	G-1301NVCETV	361,775	361,775
			<b>445,661</b>	<b>445,476</b>
Head Start	93.600	09CD0013/04	7,343	-
Head Start	93.600	09CD001303	83,634	24,913
			<b>90,977</b>	<b>24,913</b>
Adoption Incentive Payments	93.603	1101NVAIPP	477,161	412,752
Adoption Incentive Payments	93.603	1201NVAIPP	1,551,457	1,471,473
			<b>2,028,618</b>	<b>1,884,225</b>
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0803NVVOTE	33,604	-
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0903NVVOTE	80,000	-
			<b>113,604</b>	<b>-</b>
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1301NVBSDD	318,683	161,126
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-1201NVADBS	78,850	20,905
			<b>397,533</b>	<b>182,031</b>

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Children's Justice Grants to States	93.643	G-1101NVCA1	80,510	30,595
Children's Justice Grants to States	93.643	G-1201NVCA1	147,836	75,304
			<b>228,346</b>	<b>105,899</b>
Child Welfare Services_State Grants	93.645	G-1301NVCS	569,536	55,006
Child Welfare Services_State Grants	93.645	G-1401NVCS	1,441,660	193,013
			<b>2,011,196</b>	<b>248,019</b>
Foster Care_Title IV-E	93.658	1301NV1401	7,903,035	6,848,055
Foster Care_Title IV-E	93.658	1401NV1401	29,583,504	25,224,397
			<b>37,486,539</b>	<b>32,072,452</b>
Adoption Assistance	93.659	1301NV1407	3,601,364	3,164,308
Adoption Assistance	93.659	1401NV1407	20,372,775	18,613,154
			<b>23,974,139</b>	<b>21,777,462</b>
Social Services Block Grant	93.667	G-1301NVSS	4,147,414	1,222,929
Social Services Block Grant	93.667	G-1401NVSS	9,990,553	2,563,178
			<b>14,137,967</b>	<b>3,786,107</b>
Child Abuse and Neglect State Grants	93.669	G-0901NVCA01	78,509	53,076
Child Abuse and Neglect State Grants	93.669	G-1001NVCA01	221,774	134,311
			<b>300,283</b>	<b>187,387</b>
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1201NVFVPS	150,868	150,868
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-1301NVFVPS	919,148	884,758
			<b>1,070,016</b>	<b>1,035,626</b>
Chafee Foster Care Independence Program	93.674	G-1201NV1420	651,778	641,491
Chafee Foster Care Independence Program	93.674	G-1301NV1420	784,409	735,121
			<b>1,436,187</b>	<b>1,376,612</b>
ARRA-Head Start	93.708A	90SC0018/01	194,203	-
ARRA - State Grants to Promote Health Information Technology	93.719A	90HT0037/01	1,820,259	1,538,674
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by PPHF-2012	93.733	1H23IP000695-01	179,799	-
State Public Health Approaches for Ensuring QUILTINE Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	1U58DP004057-01	91,982	91,982
State Public Health Approaches for Ensuring QUILTINE Capacity - Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	5U58DP004057	50,850	46,394
			<b>142,832</b>	<b>138,376</b>

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PPHF-2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed by 2012 Prevention and Public Health	93.744	1U58DP004118-01	52,037	52,037
PPHF-2012: Health Care Surveillance/Health Statistics-Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed by PPHF	93.745	3U58SO000035-03S1	19,078	17,568
Children's Health Insurance Program	93.767	05-1305NV5021	31,195,837	-
Children's Health Insurance Program	93.767	05-1405NV5021	1,768,402	-
			<b>32,964,239</b>	<b>-</b>
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330822-01-02	1,275,417	139,939
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	05-1305-NV-5001	120,068	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	05-1405-NV-5001	451,739	-
			<b>571,807</b>	<b>-</b>
National Bioterrorism Hospital Preparedness Program	93.889	1U90TP000534-01	24,248	-
National Bioterrorism Hospital Preparedness Program	93.889	5 UREP090220-03	40,500	3,861
National Bioterrorism Hospital Preparedness Program	93.889	5U90TP000534-02	3,291,689	2,278,668
			<b>3,356,437</b>	<b>2,282,529</b>
HIV Care Formula Grants	93.917	2 X07HA00001-22-00	(18,805)	(713)
HIV Care Formula Grants	93.917	2 X07HA00001-23-00	6,061,962	5,246,961
HIV Care Formula Grants	93.917	X07HA00001-24-00	2,207,423	1,943,775
			<b>8,250,580</b>	<b>7,190,023</b>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1U58DP003929-01	36,954	36,954
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5U58DP003929-02	2,195,049	1,830,792
			<b>2,232,003</b>	<b>1,867,746</b>
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	5U87DP001227-05	27,112	27,112
HIV Prevention Activities_Health Department Based	93.940	5U62PS003654-02	1,269,871	989,498
HIV Prevention Activities_Health Department Based	93.940	5U62PS003654-03	925,585	758,327
			<b>2,195,456</b>	<b>1,747,825</b>
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1U62PS004024-01	343,116	228,547
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	5U62PS004024-02	203,436	104,799
			<b>546,552</b>	<b>333,346</b>

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Assistance Programs for Chronic Disease Prevention and Control	93.945	1U58DP004820-01	449,928	46,696
Block Grants for Community Mental Health Services	93.958	2B09SM010039-13	3,762,762	359,614
Block Grants for Community Mental Health Services	93.958	3B09SM010039-12S3	555,797	8,939
			<b>4,318,559</b>	<b>368,553</b>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010039-13	10,054,750	8,786,344
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010039-14	1,713,971	1,546,604
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3B08TI010039-12	130,434	120,059
			<b>11,899,155</b>	<b>10,453,007</b>
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	1H25FPS004376-01	330,230	279,219
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25FPS001382-05	480,558	444,287
			<b>810,788</b>	<b>723,506</b>
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	3U56SO000035-03S2	28,869	-
Preventive Health and Health Services Block Grant	93.991	2B01DP009040-13	168,328	14,939
Preventive Health and Health Services Block Grant	93.991	3B01DP009040-12	84,197	7,682
			<b>252,525</b>	<b>22,621</b>
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC23393-01-06	199,053	36,737
Maternal and Child Health Services Block Grant to the States	93.994	B04MC25356-01	1,328,669	218,012
			<b>1,527,722</b>	<b>254,749</b>
			<b>1,838,036,010</b>	<b>161,833,979</b>
<b>Total Department of Health and Human Services</b>				
<b>Social Security Administration</b>				
<b>Disability Insurance/SSI CLUSTER</b>				
Social Security_Disability Insurance	96.001	04-1204NVDI00	11,087,482	-
Social Security_Disability Insurance	96.001	04-1304NVDI00	3,982,745	-
			<b>15,070,227</b>	-
			<b>15,070,227</b>	-
			<b>15,070,227</b>	-
<b>Total Disability Insurance/SSI CLUSTER</b>				
<b>Total Social Security Administration</b>				
<b>Department of Homeland Security</b>				
Urban Area Security Initiative Non-Profit	97.008	EMW-2011UA-00026-S01	73,589	71,250
Urban Area Security Initiative Non-Profit	97.008	EMW-2012-UA-00040-S01	1,324	-
			<b>74,913</b>	<b>71,250</b>
Boating Safety Financial Assistance	97.012	3313FAS130132	200,576	-
Boating Safety Financial Assistance	97.012	3314FAS140132	803,305	-
			<b>1,003,881</b>	-

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Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2012-GR-1204	6,227	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2013-GR-1004	84,880	-
			<b>91,107</b>	<b>-</b>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR	24,804	5,488
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	76,644	5,978
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1738-DR	4,418	-
			<b>105,866</b>	<b>11,466</b>
Hazard Mitigation Grant	97.039	FEMA-1629-DR	7,652	3,824
Hazard Mitigation Grant	97.039	FEMA-1738-DR	7,297	-
			<b>14,949</b>	<b>3,824</b>
National Dam Safety Program	97.041	EMW-2012-GR-00119-S01	39,699	-
National Dam Safety Program	97.041	EMW-2013-GR-00100	8,571	-
			<b>48,270</b>	<b>-</b>
Emergency Management Performance Grants	97.042	EMW-2011-EP-00054	92,104	-
Emergency Management Performance Grants	97.042	EMW-2012-EP-00024	1,049,558	100,236
Emergency Management Performance Grants	97.042	EMW-2013-EP-00022-S01	2,681,843	1,892,693
Emergency Management Performance Grants	97.042	EMW-2014-EP-00003-S01	184,277	184,277
			<b>4,007,782</b>	<b>2,177,206</b>
State Fire Training Systems Grants	97.043	EMW-2013-GR-00054	20,843	-
Cooperating Technical Partners	97.045	EMF-2010-GR-1016	26,998	26,998
Cooperating Technical Partners	97.045	EMF-2011-GR-1108	7,199	-
Cooperating Technical Partners	97.045	EMF-2012-GR-1208	101,937	-
Cooperating Technical Partners	97.045	EMF-2013-GR-2011	11,510	-
			<b>147,644</b>	<b>26,998</b>
Fire Management Assistance Grant	97.046	FEMA-2977-FM-NV	43,502	-
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2008	783	783
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2009	83,440	81,811
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2010	62,210	62,210
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2011	145,448	132,934
Pre-Disaster Mitigation	97.047	PDMC-09-NV-2012	324,901	316,664
			<b>616,782</b>	<b>594,402</b>

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**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number			
Homeland Security Grant Program	97.067	2009-SS-T9-0009		379,926	379,926
Homeland Security Grant Program	97.067	2010-SS-TO-0007		1,078,082	947,774
Homeland Security Grant Program	97.067	EMW-2011-SS-00096		5,559,395	4,186,504
Homeland Security Grant Program	97.067	EMW-2012-SS-00146		3,398,760	2,575,494
Homeland Security Grant Program	97.067	EMW-2013-SS-00024-S01		511,241	375,046
				<b>10,927,404</b>	<b>8,464,744</b>
Real ID Program	97.089	EMW-2011-DL-00035-S01		393,311	-
Homeland Security Biowatch Program	97.091	2013-OH-091-000030		789,708	788,742
<b>Total Department of Homeland Security</b>				<b>18,285,962</b>	<b>12,138,632</b>
<b>Total Federal Financial Assistance</b>				<b>\$ 4,013,779,160</b>	<b>\$ 701,809,274</b>

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)  
COMMODITY SUPPLEMENTAL FOOD PROGRAM (10.565)  
EMERGENCY FOOD ASSISTANCE PROGRAM (10.569)  
CHILD AND ADULT CARE FOOD PROGRAM (10.558)  
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 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

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	\$435,195,086
Federal Benefits	134,087,705
Federal Funds – Grants	37,040,502
Federal Funds – ARRA	<u>1,217,600</u>
 Total Reported	 <u>\$607,540,893</u>

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 \$32,558,462.

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.

**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, 2014.
2. Significant deficiencies, identified as material weaknesses, were disclosed during the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which were material to the financial statements of the State of Nevada.
4. Significant deficiencies, not identified as material weaknesses, and deficiencies identified as material weaknesses in the internal control over major Federal award programs were disclosed.
5. The Auditor's report on compliance with the major Federal award programs for the State of Nevada expresses an unmodified opinion for all major programs, except for the Social Security\_Disability Insurance Program and the National Bioterrorism Hospital Preparedness Program (CFDA 96.001 and CFDA 93.889), which were qualified opinions.
6. Audit findings relative to the major Federal award programs for the State of Nevada, which are required to be reported under Section .510(a) of OMB Circular A-133, are reported in Part C of this Schedule.
7. The programs tested as major programs included:

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

Child Nutrition Cluster:

School Breakfast Program, CFDA 10.553

National School Lunch Program, CFDA 10.555

Special Milk Program for Children, CFDA 10.556

Summer Food Service Program for Children, CFDA 10.559

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

Fresh Fruit and Vegetable Program, CFDA 10.582

**U.S. Department of Interior:**

Minerals Leasing Act, CFDA 15.437

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

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

**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. Department of Energy:**

State Energy Program, CFDA 81.041

**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:**

CCDF Cluster:  
Child Care and Development Block Grant, CFDA 93.575  
Child Care Mandatory and Matching Funds of the Child Care and Development Fund,  
CFDA 93.596  
Medicaid Cluster:  
State Medicaid Fraud Control Units, CFDA 93.775  
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)  
Medicare, CFDA 93.777  
Medical Assistance Program, CFDA 93.778  
ARRA – Medical Assistance Program, CFDA 93.778A  
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges,  
CFDA 93.525  
Low-Income Home Energy Assistance, CFDA 93.568  
Foster Care\_Title IV-E, CFDA 93.658  
Adoption Assistance, CFDA 93.659  
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

**Social Security Administration:**

Social Security\_Disability Insurance, CFDA 96.001

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2014, was \$12,041,338.
9. The State of Nevada did not qualify as a low risk auditee for the year ended June 30, 2014 under the criteria set forth in Section .530 of OMB Circular A-133.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

Finding 2014-A

*Criteria and Condition:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control is performing an analysis of the collectability of accounts receivable to ensure proper reporting in the financial statements.

During our audit testing over Unemployment Insurance assessments receivable, we noted a large increase in the amount of overpayments due back to the Department of Employment, Training and Rehabilitation (DETR). The large increase was the result of a conversion from the General Unemployment Insurance Development Effort (GUIDE) system to the Unemployment Insurance Claim's Filing System (UInv). The new system identified and/or revised unemployment assessment overpayments; however no analysis was performed to determine the collectability of the overpayments.

*Effect:* Assessments receivables in the Unemployment Compensation Fund were overstated and required that a material adjustment be made to report the amount determined by management to be uncollectible.

*Cause:* The GUIDE System utilized by DETR to process claim payments and identify overpayments was not sufficiently functional in prior years. To improve functionality, DETR implemented the new UInv system during the fiscal year. However, adequate controls were not in place that would require a determination be made of the collectability of the overpayments identified by the new system.

*Recommendation:* We recommend DETR enhance controls to require a determination be made of the collectability of all overpayments. Those determined by management not to be collectible should be offset by an allowance for uncollectible assessments.

*Management's Response:* The Employment Security Division has reviewed the finding of Eide Bailly LLP as it pertains to financial reporting of unemployment insurance overpayments. The Division agrees that additional controls are warranted in light of the significant increase in overpayment accounts improperly reported as receivables during the 3<sup>rd</sup> quarter of 2013. The

Division also believes that a detailed review of the issues caused by UInv conversion and recent statute changes is warranted.

The Division anticipates developing and publishing procedures and controls in conjunction with DETR Financial Management, Unemployment Insurance Support Services, U.I. Integrity, and the State Controller's Office to insure that the methodology developed is both appropriate and timely, and keeping with financial best practices.

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

**U.S. DEPARTMENT OF AGRICULTURE:**

**U.S. DEPARTMENT OF TRANSPORTATION:**

**U.S. DEPARTMENT OF EDUCATION:**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-001:

Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557  
Highway Planning and Construction, CFDA 20.205  
Improving Teacher Quality, CFDA 84.367  
Immunization Grants, CFDA 93.268  
Adoption Assistance, CFDA 93.659

*Grant Award Number:* Potentially affects all grant awards included under CFDA 10.557, 20.205, 84.367, 93.268, and 93.659 on the Schedule of Expenditures of Federal Awards.

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

*Condition and Context:* The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

During our testing and reconciliation of the amounts on the SEFA to the State's accounting system, we identified certain amounts included on the SEFA that did not properly reflect the expenditures, amounts paid to subrecipients, or non-cash direct assistance.

*Questioned Costs:* None.

*Effect:* Major program determination for purposes of the State's single audit could be affected and inaccurate information could be reported in the public database maintained by the Office of Management and Budget (OMB).

*Cause:* The Controller's Office did not have adequate controls and reconciliation procedures in place to ensure expenditures, amounts paid to subrecipients, and non-cash direct assistance amounts were accurately reported on the SEFA.

*Recommendation:* We recommend the Controller's Office enhance controls and implement a comprehensive reconciliation process to ensure all expenditures, amounts paid to subrecipients, and non-cash direct assistance amounts are reported accurately on the SEFA.

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



**OFFICE OF THE  
STATE CONTROLLER**

March 5, 2015

Gloria Johnson-Lamar, Financial Management Specialist  
U.S. Department of Agriculture, Food and Nutrition Services  
Grants Management Section  
90 Seventh Street, Suite 10-100  
San Francisco, CA 94103

Steven Bragorgos, Transportation Financial Manager  
U.S. Department of Transportation Federal Highway Administration, Nevada Division  
705 Plaza Street, Suite 220  
Carson City, NV 89701

Sara Waly, Education Program Specialist  
U.S. Department of Education, Office of Academic Improvement and Teacher Quality  
Office of Elementary and Secondary Education  
400 Maryland Ave., SW  
Washington, D.C. 20202

Constance Jarvis, Grants Management Specialist  
Centers for Disease Control and Prevention, Procurement and Grants Office  
Koger, Center, Colgate Building  
2920 Brandywine Road, Mail Stop K 14  
Atlanta, GA 30341

Patrick Wells, Director of Division 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

Greetings:

Eide Bailly LLP CPAs performed an annual Single Audit of the following programs for fiscal year ended June 30, 2014:

- ❖ Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, administered by the Nevada Division of Public and Behavioral Health;
- ❖ Highway Planning and Construction, CFDA 20.205, administered by the Nevada Department of Transportation;

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Las Vegas, Nevada 89101-1071  
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- ❖ Improving Teacher Quality, CFDA 84.367, administered by the Nevada Department of Education;
- ❖ Immunization Grants, CFDA 93.268, administered by the Nevada Division of Public and Behavioral Health; and
- ❖ Adoption Assistance, CFDA 93.659, administered by the Nevada Division of Child and Family Services.

Eide Bailly LLP finding 2014-001 pertains to the aforementioned CFDA numbers and concerns the Nevada State Office of the Controller.

**Finding 2014-001 resulted in the following recommendation:**

"We recommend the Controller's Office enhance controls and implement a comprehensive reconciliation process to ensure all expenditures, amounts paid to subrecipients, and non-cash direct assistance amounts are reported accurately on the SEFA.

**Nevada Office of the Controller Response:**

The Nevada Office of the Controller accepts this finding and will initiate corrective actions as noted below.

**Corrective Action for Finding 2014-001:**

In order to ensure the most accurate information is collected and reported by Agencies, the Controller's Office will run a comparison report between the current fiscal year being reported and the prior fiscal year. The report will be run at least once weekly beginning the week after the Agency reporting due date in September (as determined by the Controller's Office) until the final SEFA is submitted. It will be analyzed by the Controller's Office Management Analyst III and the Chief Accountant of Operations for anomalies, discrepancies and/or missing information. Should reporting issues be discovered, Agencies will be notified directly, via email, for resolution.

Sincerely,



Ronald L. Knecht, MS, JD, PE (CA)  
State Controller

RLK:lh

**U.S. DEPARTMENT OF AGRICULTURE:**

Finding 2014-002:

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, and 10.556, and 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 Agriculture is required to submit a special report, the FNS-10, Report of School Program Operations, for the Child Nutrition Cluster monthly. The report is comprised of information from the National School Lunch Program Meal Extract Report, which contains data pertaining to the number of meals served for various Child Nutrition Programs. The OMB Circular A-133 Compliance Supplement identifies key line items that contain critical information, including number of milks served in schools and milks served in Nonresidential Child Care Institutions.

Our audit procedures included testing information related to a sample of five FNS-10 reports to verify the accuracy of the underlying information for the key line items of the FNS-10.

In two of the reports we tested, we noted information, specifically milks served in schools and milks served in Nonresidential Child Care Institutions, that did not agree to the underlying records. In both cases, it appears that amounts per the underlying records were incorrectly entered on the FNS-10.

*Questioned Costs:* None.

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

*Cause:* The Nevada Department of Agriculture did not have adequate review procedures in place to ensure the FNS-10s, Reports of School Program Operations were accurate and that amounts reported reconciled to underlying accounting records.

*Recommendation:* We recommend the Nevada Department of Agriculture enhance review procedures to ensure the FNS-10s, Reports of School Program Operations are accurate and amounts reported are reconciled to the underlying accounting records.

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

**U.S. DEPARTMENT OF AGRICULTURE:**

Finding 2014-003:

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 10.555 on the Schedule of Expenditures of Federal Awards.

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

*Condition and Context:* The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

During our testing and reconciliation of the expenditure amounts on the SEFA to the State's accounting system, we noted that expenditures related to the Child Nutrition Cluster were not accurately reported to the Controller's Office by the Nevada Department of Agriculture. For CFDA 10.555, it was noted that expenditures related to food commodities for the Child Nutrition Cluster were understated by \$9,010,471.

*Questioned Costs:* None.

*Effect:* Major program determination for purposes of the State's single audit could be affected and inaccurate information could be reported in the public database maintained by the Office of Management and Budget (OMB).

*Cause:* The Nevada Department of Agriculture 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 Department of Agriculture 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 136.

**U.S. DEPARTMENT OF AGRICULTURE:**

Finding 2014-004:

Fresh Fruit and Vegetable Program, CFDA 10.582

*Grant Award Number:* Affects the grant awards included under CFDA 10.582 on the Schedule of Expenditures of Federal Awards.

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

*Condition and Context:* The Nevada Department of Agriculture is required to submit quarterly Standard Form (SF-425) Federal Financial Reports for the Fresh Fruit and Vegetable Program. We tested one report submitted during the fiscal year.

During testing of the quarterly SF-425 Federal Financial Reports for the period ended March 31, 2014 for grant award 7NV310AG1, we noted that the amount reported on line 10.f Federal share of unliquidated obligations was based on an estimate of the following quarter's expenditures, rather than actual expenditures that had been incurred but not paid.

*Questioned Costs:* None.

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

*Cause:* The Nevada Department of Agriculture did not have adequate controls and procedures in place to ensure that the SF-425 Federal Financial Reports were presented in accordance with program requirements.

*Recommendation:* We recommend the Nevada Department of Agriculture enhance the controls and procedures over the reporting process to ensure that all amounts included in the SF-425 Federal Financial Reports are presented in accordance with program requirements.

*Management's Response:* See management's response on pages 136 and 137.

BRIAN SANDOVAL  
Governor

STATE OF NEVADA

JAMES R. BARBEE  
Director

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**DEPARTMENT OF AGRICULTURE**

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Sparks, Nevada 89431-5557  
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March 11, 2015

Ms. Rebecca Hobbs  
Financial Management Director  
USDA/FNS Western Regional Office  
90 Seventh St. Suite 10-100  
San Francisco, CA 94103

Dear Ms. Hobbs,

The annual single audit has been completed by CPA Firm Eide Bailly LLP in review of the National School Lunch Program (NSLP) CFDA 10.555 and Fresh Fruit and Vegetable Program (FFVP) CFDA 10.582 for the period covering July 1, 2013 – June 30, 2014, State Fiscal Year 2014. Please see below for the findings with regard to these programs and coordinating corrective action.

Finding 2014-002:

We recommend the Nevada Department of Agriculture enhance review procedures to ensure the FNS-10s, Reports of School Program Operations are accurate and amounts reported are reconciled to the underlying accounting records.

The Nevada Department of Agriculture Response and Corrective Action:

The Food & Nutrition Division acknowledges this finding and will implement procedures to ensure the FNS-10 reports are prepared to include adequate backup to validate each reporting period. These procedures will include comparison of prior year data to identify notable variations which can be investigated as required and additional program/fiscal staff review to ensure data is accurate prior to monthly submissions.

Finding 2014-003:

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.

The Nevada Department of Agriculture Response and Corrective Action:

The Food & Nutrition Division acknowledges this finding and will implement internal controls to ensure staff assignments are clearly defined to include procedures for accurate reconciliation of federal expenditures. In addition, the supervising Management Analyst will perform a comprehensive review to ensure financial information is validated against backup documentation and submitted within deadlines established by the Controller's Office.

Finding 2014-004:

The Nevada Department of Agriculture did not have adequate controls and procedures in place to ensure that the SF-425 Federal Financial Reports were presented in accordance with program requirements.

The Nevada Department of Agriculture Response and Corrective Action:

The Food & Nutrition Division acknowledges this finding and will establish documented procedures that will accurately define unliquidated obligations within our financial system as well as define acceptable forms of backup documentation to accompany the SF-425 as required. An additional level of review will be provided by the Management Analyst to ensure data is accurate and documented prior to quarterly submission.

Procedures regarding these findings will be established by the Fiscal Administrator and implemented by the FND Management Analyst immediately.

Please contact Jeama Bowers, Management Analyst III, at 775-353-3621, [jbowers@agri.nv.gov](mailto:jbowers@agri.nv.gov) or Dale Hansen, Fiscal Administrator, 775-353-3741, [dale.hansen@agri.nv.gov](mailto:dale.hansen@agri.nv.gov) if you have any questions or require additional information.

Kind Regards,



Dale Hansen  
Fiscal Administrator

cc: James Barbee, Director, Department of Agriculture  
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau  
Donnell Barton, Administrator, Food & Nutrition Division



**U.S. DEPARTMENT OF INTERIOR:**

Finding 2014-005:

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 reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

During our testing and reconciliation of the expenditure amounts on the SEFA to the State's accounting system, we identified instances where expenditures were not correctly reported on the SEFA. Nevada Department of Education personnel incorrectly coded Minerals Leasing Act amounts in the State's accounting system which resulted in expenditures of \$4,592,774 being incorrectly included on the SEFA under a different CFDA. In addition, Minerals Leasing Act expenditures were understated by \$751,276 due to the Treasurer's Office not providing information to the Controller's Office.

*Questioned Costs:* None.

*Effect:* Major program determination for purposes of the State's single audit could be affected and inaccurate information could be reported in the public database maintained by the Office of Management and Budget (OMB).

*Cause:* The Nevada Department of Education and the Nevada Treasurer's Office did not have adequate controls and reconciliation procedures in place to ensure expenditures were accurately reported on the SEFA.

*Recommendation:* We recommend the Nevada Department of Education and the Nevada Treasurer's Office enhance controls and implement a comprehensive reconciliation process to ensure all expenditures are reported accurately on the SEFA.

*Management's Response:* See management's response on pages 140 and 141.

BRIAN SANDOVAL  
Governor

STATE OF NEVADA

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



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March 02, 2015

Joseph Muniz  
ONRR  
Accounts Payable Team Supervisor  
[joseph.muniz@onrr.gov](mailto:joseph.muniz@onrr.gov)  
303 231-3103

Dear Program Officer,

EideBailly 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, 2014. EideBailly's finding 14-005 concerns this program.

**Finding 14-005 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 and expenditures are properly coded and reported on the SEFA.

**Corrective Action:**

The Department has implemented and updated controls and reconciliation procedures to properly record and report funds and expenditures 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](mailto:rpawley@doe.nv.gov)., or Budd Milazzo at (775)-684-5884 or email at [bmilazzo@nevadatreasurer.gov](mailto:bmilazzo@nevadatreasurer.gov).

Sincerely,



Mindy Martini  
Deputy Superintendent, Business and Support Services  
Nevada Department of Education

cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau  
Dale Erquiaga, Superintendent of Public Instruction, Nevada Department of Education (NDE)  
Steve Canavero, Deputy Superintendent - Student Achievement, NDE  
Dena Durish, Director of Educator Effectiveness, NDE  
Robert Pawley, Administrative Services Office (ASO) III, NDE  
Lisa Young, ASO III, NDE  
Budd Milazzo, Deputy State Treasurer – Cash Management

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-006:

Unemployment Insurance, CFDA 17.225

<i>Grant Award Number:</i>	Potentially affects all awards included under CFDA 17.225 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>ET Handbook No. 395, 5<sup>th</sup> Edition, Benefit Accuracy Measurement State Operations Handbook, Chapter VII, Section 2</i> (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 National Directory of New Hires crossmatch.
<i>Condition and Context:</i>	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 11 cases, documentation to satisfy the National Directory of New Hires crossmatch requirement was not included in the file.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Unemployment Insurance payments made to ineligible individuals may not be identified.
<i>Cause:</i>	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.
<i>Recommendation:</i>	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.
<i>Management's Response:</i>	See management's response on page 153.

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-007:

Unemployment Insurance, CFDA 17.225

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

*Criteria:* The *OMB Circular A-133 Compliance Supplement* references Pub. L. No. 112-40 and notes that “States are prohibited from providing relief from charges to an employer’s Unemployment Compensation account when overpayments are the result of the employer’s failure to respond timely or adequately to a request for information”.

*Condition and Context:* As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments, including not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Based on our procedures, we noted that the system implemented during fiscal year 2014 by the Nevada Department of Employment, Training and Rehabilitation to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.

*Questioned Costs:* None.

*Effect:* The State is relieving employers of charges when their untimely or inadequate responses have resulted in overpayments.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation did not ensure modifications to the UINV System were implemented by the system’s vendor during the system’s development.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation take measures to ensure the UINV system is modified with the necessary operational capability to comply with the requirements of Pub. L. No. 112-40 referenced in the *OMB Circular A-133 Compliance Supplement*.

*Management’s Response:* See management’s response on pages 153 and 154.

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-008:

Unemployment Insurance, CFDA 17.225

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

*Criteria:* The *OMB Circular A-133 Compliance Supplement* references Pub. L. No. 112-40 and notes that “States are required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments”.

*Condition and Context:* As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments. These procedures included testing a sample of overpayment cases that included overpayments resulting from fraud.

We selected a sample of 25 overpayment cases that occurred during fiscal year 2014 for testing. Of the 25 overpayment cases that were examined, nine were determined to have resulted from fraud. Of the nine fraud-related cases, one of the overpayments did not have a monetary penalty assessed against the claimant.

*Questioned Costs:* None.

*Effect:* The State is not collecting all monetary penalties related to fraudulent overpayments.

*Cause:* Due to a system defect, the UINV System did not properly assess a monetary penalty for an overpayment that resulted from fraud.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation take measures to ensure the UINV system is modified to ensure that all overpayments that result from fraud are assessed the penalty required by Pub. L. No. 112-40 referenced in the *OMB Circular A-133 Compliance Supplement*.

*Management's Response:* See management's response on pages 154 and 155.

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-009:

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 three 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 156.

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-010:

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:* As noted in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards, costs must be necessary and reasonable for the performance and administration of the Federal award, and be adequately documented.

*Condition and Context:* As part of our testing over Allowable Costs/Cost Principles, we tested a sample of 25 transactions for conformance with the criteria contained in the “Basic Guidelines” section of OMB Circular A-87. For one of the transactions tested, it was determined that the amount charged to the WIA Cluster was unrelated to the program. In this instance, the WIA Cluster was charged for expenditures related to a different Federal program, Unemployment Insurance.

*Questioned Costs:* None.

*Effect:* Unallowable costs have been charged to the WIA Cluster.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation did not have adequate review procedures in place to ensure that amounts charged to the WIA Cluster were necessary and reasonable for the proper administration of the program.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation enhance review procedures to ensure amounts charged to the WIA Cluster are necessary and reasonable for the proper administration of the program.

*Management’s Response:* See management’s response on pages 156 and 157.

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-011:

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 subaward 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 six first-tier subawards funded under the Federal Assistance Identification Number (FAIN) AA-22111-13-55-A-32. The following reporting errors were noted:

- The information reported in the Funding Accountability and Transparency Subaward Reporting System (FSRS) for the key data element *Subaward Number* was incorrect for three of the six subawards tested.
- The information reported in FSRS for the key data element *Subaward Obligation/Action Date* was incorrect for four of the six subawards tested.
- The subaward data was reported in FSRS on October 9, 2013. However, as funds were obligated for two of the six subawards on April 1, 2013, the reporting was required to be completed on or before May 30, 2013.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure in an accurate or timely manner.

*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 157.

**U.S. DEPARTMENT OF LABOR:**

Finding 2014-012:

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 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 one case, we noted employment earnings, specifically for *quarters following exit*, did not agree to the underlying records. The participant wage record data was \$3,846 less than the underlying records due to in-state wage data being excluded.

In two cases, we noted employment earnings, specifically earnings for *quarters prior to participation*, did not agree to the underlying records. For one of the cases the participant wage record data was doubled and for the other case the amount reported was \$20,032 greater than the underlying records.

*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 157 and 158.



OFFICE OF THE DIRECTOR

March 9, 2015

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

**Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2014 Single Audit Issues /Concerns**

Dear Ms. Hamilton,

This letter is in response to the annual Single Audit performed by Eide Bailly LLP, CPAs for Federal Programs administered by the Nevada Department of Employment, Training and Rehabilitation (DETR) for the fiscal year ended June 30, 2014. The specific audit findings pertaining to the Federal Grants/Programs are listed below:

Findings 2014-006, 2014-007 & 2014-008 – Unemployment Insurance (UI)

- CFDA 17.225

Findings 2014-009, 2014-010, 2014-011 & 2014-012 – Workforce Investment Act (WIA) Cluster )

- CFDA 17.258
- CFDA 17.259
- CFDA 17.278

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

Sincerely,

Don Soderberg  
Director

cc: Latha Seshadri, DOL/ETA – Region 6  
Dennis Perea, DETR Deputy Director  
Renee Olson, DETR Administrator, Employment Security Division (ESD)  
Lynda Parven, DETR Deputy Administrator, ESD  
Jeff Frischman, DETR ESD, Chief  
Scott Kennedy, DETR ESD, Chief  
Grant Nielsen, DETR ESD, Chief  
Mark Costa, DETR Chief Financial Officer  
Duane E. Anderson, DETR Chief Auditor  
Shannon Ryan, Legislative Counsel Bureau, Deputy Legislative Auditor  
Daniel Rushin, Eide Bailly LLP, Audit Manager

**State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Responses to Single Audit Findings  
For the Year Ended June 30, 2014**

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

**Finding 2014-006**

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 11 cases, documentation to satisfy the National Directory of New Hires crossmatch requirement was not included in the file.

**Recommendation**

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

**Nevada DETR's Response**

The National Directory of New Hires (NDNH) crossmatch was not intentionally omitted from the BAM case files. When NDNH reports were not available, the case summary was noted that NDNH was missing. (see Attached Case Summaries)

The NDNH crossmatch was not functional when our new computer system (UInv) was launched in September 2013. The link to the federal NDNH process was restored in April 2014, however the BAM-specific requests and reporting did not resume reliably until September 19, 2014. There was less than 40 days between the resumption of BAM-NDNH processes and the cutoff for reopening BAM cases in the period between batches 201327 and 201426. That time was insufficient to re-investigate each of the 373 cases with potential impact. BAM is not permitted to reopen/alter cases completed prior to October 28, 2014 per DOL regulations documented in the U.S. Department of Labor's Unemployment Insurance Program Letter (UIPL) 20-14.

**Finding 2014-007**

As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments, including not relieving employers of charges when their untimely or inadequate responses caused improper payments.

Based on our procedures, we noted that the system implemented during the fiscal year 2014 by the Department of Employment, Training and Rehabilitation to operate the Unemployment Insurance program, the UINV System, does not currently have the operational capability to ensure that the State is not relieving employers of charges when their untimely or inadequate responses caused improper payments.



### Recommendation

We recommend that Nevada DETR follow up with the UINV System's vendor to ensure the system is modified to ensure the necessary operational capability exists to ensure compliance with the requirements of Pub. L. No. 112-40 referenced in the OMB Circular A-133 Compliance Supplement.

### Nevada DETR's Response

On December 20, 2011, the U.S. Department of Labor issued Unemployment Insurance Program Letter (UIPL) 02-12 to advise states of the statutory amendments related to Unemployment Compensation program integrity included in the Trade Adjustment Assistance Extension Act of 2011. One of the requirements included in this UIPL was that states must not relieve an employer of charges when their untimely or inadequate response to a notice of claim filed was the cause of improper payments. This new requirement would "apply to erroneous payments established after the end of the two-year period beginning on the date of the enactment of this Act [October 21, 2013]."

On September 21, 2012, the Division began developing business requirements and held design sessions to implement these new requirements within the Division's new computer system (UInv). As the Division was required to make statutory changes to its laws, Senate Bill 36 was introduced and passed during the 2013 Legislative session. This legislation amended NRS 612.551.7 to require that an employer's record is not entitled to be relieved of charges for the amount of any benefits erroneously paid to a claimant if the employer failed to submit timely all the information as required.

During the summer of 2013, the vendor working on our new computer system determined the estimated cost to implement this new requirement within UInv was approximately \$50,000.

Currently, the Division does not have the capability to implement this requirement within UInv. The Division continues to work with our vendor to get the necessary changes implemented. As of this date, the Division has not been given a timeline as to when this work will be completed.

### **Finding 2014-008**

As part of our testing over the Unemployment Insurance program, we performed procedures to determine whether the State was properly identifying and handling overpayments. These procedures included testing a sample of overpayment cases that included overpayments resulting from fraud.

We selected a sample of 25 overpayment cases that occurred during fiscal year 2014 for testing. Of the 25 overpayment cases that were examined, nine were determined to have resulted from fraud. Of the nine fraud-related cases, one of the overpayments did not have a monetary penalty assessed against the claimant.

### Recommendation

We recommend that Nevada DETR follow up with the UINV System's vendor to ensure the system is modified to ensure that all overpayments that result from fraud are assessed the penalty required by Pub. L. No. 112-40 referenced in the OMB Circular A-133 Compliance Supplement.

### Nevada DETR's Response

On December 20, 2011, the U.S. Department of Labor issued Unemployment Insurance Program Letter (UIPL) 02-12 to advise states of the statutory amendments related to Unemployment Compensation program integrity included in the Trade Adjustment Assistance Extension Act of 2011. One statutory amendment required states to assess a monetary penalty of not less than 15 percent if it was determined that a fraudulent UI payment was made to an individual after October 21, 2013.

On September 21, 2012, the Division began developing business requirements and held design sessions to implement these new requirements within the Division's new computer system (UInv). As the Division was required to make statutory changes to its laws, Senate Bill 36 was introduced and passed during the 2013 Legislative session. This legislation amended NRS 612.445.6 (a) which states in part that the Division shall impose a penalty equal to 15 percent of the total amount of benefits fraudulently received by an individual.

On November 6, 2013, the programming that allowed the Division to impose a 15 percent penalty for fraudulent payments was implemented. The 15 percent penalty could only be imposed on fraudulent overpayments established after October 21, 2013.

It was found that in one of the sample cases tested, the 15 percent penalty had not been assessed properly on one week. A review of the file shows that a determination had been issued on May 2, 2012, which disqualified the claimant effective October 10, 2010. An overpayment was established and classified as fraud. The 15 percent penalty was not assessed, as this was prior to October 21, 2013. The claim was then converted from the old computer system (Guide) into UInv in September 2013. On January 30, 2014, a supervisor conducted an administrative review of the case and it was determined that the disqualification date of the determination had been incorrect. The determination issued on May 2, 2012 was voided and a corrected determination was issued on January 31, 2014 covering the period of April 3, 2011 through April 30, 2011. Per statute the 15 percent penalty should have been applied to all the weeks involved. However, due to an error in the claim entry, one week was not assessed the 15 percent penalty. The Division cannot legally assess the 15 percent penalty on the remaining week of this claim because it is more than one year since the decision and the error belonged to the Division. Per NRS 612.480.1(a), the Division cannot reopen this claim.

This type of error on converted issues should not occur in the future.

**State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Responses to Single Audit Findings  
For the Year Ended June 30, 2014**

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

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

**Finding 2014-009**

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

As part of our audit procedures, we tested the two sub-recipients 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 sub-recipient's audit report included three WIA Cluster audit findings and that the Nevada DETR did not issue a management decision or ensure the sub-recipient 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**

DETR has hired staff that will be in charge of program and fiscal oversight only. The Fiscal Oversight Monitoring Guide has been drafted and it outlines the steps that will be taken to ensure compliance with A-133 audit reports. An Annual Audit Confirmation (AAC) form will be mailed to each LWIB 90 days prior to the recipient's years-end. This form will prompt the LWIBs to forward finalized copies of the Single Audits and DETR staff will issue a management decision and ensure the LWIB took timely and appropriate corrective action within the allowable six month period of time.

**Finding 2014-010**

As part of our testing over Allowable Costs/Cost Principles, we tested a sample of 25 transactions for conformance with the criteria contained in the "Basic Guidelines" section of OMB Circular A-87. For one of the transactions tested, it was determined that the amount charged to the WIA Cluster was unrelated to the program. In this instance, the WIA Cluster was charged for expenditures related to a different Federal program, Unemployment Insurance.

**Recommendation**

We recommend the Nevada DETR enhance controls to ensure amounts charged to the WIA Cluster are necessary and reasonable for the proper administration of the program.

### Nevada DETR's Response

The tested document was a travel claim for an individual in Employment Security Division Administration. Many travel claims are correctly divided amongst the different programs when the travel relates to the entire Division. In this instance, the travel was specific to an Unemployment Insurance conference and should have been directly charged to that grant. Both program and financial staff have been reminded that where a direct benefit is involved, the travel must be coded directly to that grant.

### **Finding 2014-011**

As part of our audit procedures, we tested six first-tier subawards funded under the Federal Assistance Identification Number (FAIN) AA-22111-13-55-A-32. The following reporting errors were noted:

- The information reported in the Funding Accountability and Transparency Subaward Reporting System (FSRS) for the key data element *Subaward Number* was incorrect for three of the six subawards tested.
- The information reported in FSRS for the key data element *Subaward Obligation/Action Date* was incorrect for four of the six subawards tested.
- The subaward data was reported in FSRS on October 9, 2013. However, as funds were obligated for two of the six subawards on April 1, 2013, the reporting was required to be completed on or before May 30, 2013.

### Recommendation

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

### Nevada DETR's Response

DETR currently has a policy to address FFATA sub-grants and sub-contracts reporting. The policy will be revised to centralize the FFATA duty and institute an additional level of review to ensure timely and accurate submission.

### **Finding 2014-012**

The Nevada DETR 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 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 one case, we noted employment earnings, specifically for *quarters following exit*, did not agree to the underlying records. The participant wage record data was \$3,846 less than the underlying records due to in-state wage data being excluded.

In two cases, we noted employment earnings, specifically earnings for *quarters prior to participation*, did not agree to the underlying records. For one of the cases, the participant wage record data was doubled and for the other case, the amount reported was \$20,032 greater than the underlying records.

#### 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

**The finding stated:** "In quarters following exit, did not agree to the underlying records. The participant wage record data was \$3,846 less than the underlying records due to in-state wage data being excluded."

**Response:** This reporting bug has since been fixed. The out of state wages overwrote the existing state wages.

**The finding stated:** "In two cases, we noted employment earnings, specifically earnings for *quarters prior to participation*, did not agree to the underlying records. For one of the cases the participant wage record data was doubled and for the other case the amount reported was \$20,032 greater than the underlying records."

**Response:** In the case of the wage which was doubled, the UI wage record was later corrected as this was a duplicate entry of the wages submitted by the employer. Once the wages are coming from the new state UI system, this issue will be detected and fixed automatically by the system.

**In the case of** "the amount reported being \$20,032 greater than the underlying record:

**Response:** This record was entered by the client by the self-service system and therefore could have had the incorrect social security number which was later corrected by the client. It is possible as well that the out of state wages were later corrected. Neither of which is verifiable and no other cause could be found. The current social security number in the system has no Nevada wages and still reflects the lower amount in the WRIS wages received.

**U.S. DEPARTMENT OF EDUCATION:**

Finding 2014-013:

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:* The *OMB Circular A-133 Compliance Supplement* requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

*Condition and Context:* As part of our testing, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation services. For one of the 40 individuals selected for testing, the eligibility determination exceeded 60 days from the application submission, and neither of the criteria which allows for an extension of time, as noted above, was met.

*Questioned Costs:* None.

*Effect:* Benefits may not have been provided to eligible individuals within a reasonable time.

*Cause:* 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.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation enhance procedures to ensure that eligibility determinations occur within the required time frame.

*Management's Response:* See management's response on page 165.

**U.S. DEPARTMENT OF EDUCATION:**

Finding 2014-014:

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>	The <i>OMB Circular A-133 Compliance Supplement</i> states that Rehabilitation Services expenditures from non-Federal sources under the State Plan for the previous fiscal year must not be less than the total of such expenditures for the fiscal year two years prior.
<i>Condition and Context:</i>	As part of our testing, we reviewed Rehabilitation Services expenditures for fiscal years 2013 and 2012 and noted that for both years the amount of expenditures from non-Federal sources was less than that of fiscal years 2011 and 2010, respectively. For fiscal year 2013, expenditures from non-Federal sources were \$1,300,761 less than the total such expenditures for fiscal year 2011. For fiscal year 2012, expenditures from non-Federal sources were \$1,333,737 less than the total such expenditures for fiscal year 2010.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	The State's Rehabilitation Services_Vocational Rehabilitation grant awards for fiscal years 2014 and 2013 were reduced by the respective MOE deficits for fiscal years 2013 and 2012.
<i>Cause:</i>	Prior to State fiscal year 2012, the Nevada Department of Employment, Training and Rehabilitation expended more non-Federal funds than were required for the Rehabilitation Services_Vocational Rehabilitation program. This resulted in less non-Federal funds being available for expenditure in the following fiscal years in accordance with State policies.
<i>Recommendation:</i>	We recommend the Nevada Department of Employment, Training and Rehabilitation consider alternative sources of funds from all allowable sources to use as non-Federal expenditures to meet the maintenance of effort requirement.
<i>Management's Response:</i>	See management's response on pages 165 and 166.



**SOCIAL SECURITY ADMINISTRATION:**

Finding 2014-015:

Social Security\_Disability Insurance, CFDA 96.001

*Grant Award Number:* Potentially affects all awards included under CFDA 96.001 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Circular A-133 Compliance Supplement* requires that the State Disability Determination Services (DDS) agency must provide procedures for performing medical license verifications to ensure only qualified providers perform consultative examinations (CE). Qualified is defined as the provider being currently licensed in the State, having the training and experience to perform the type of examination to test the DDS request, and not being barred from participating in Medicare or Medicaid programs or other Federal or federally assisted programs.

Prior to using the services of any CE provider, the DDS must (1) check the Health and Human Services, Office of the Inspector General (HHS OIG) List of Excluded Individuals and Entities (LEIE) and (2) verify medical licenses, credentials, and certifications with state medical boards. In addition, the DDS must conduct periodic license checks of CE providers used by the DDS, including providers who perform CEs near and across the borders of neighboring states. The DDS is required to (1) review the HHS OIG LEIE for each CE provider at least annually, and (2) verify license renewals.

*Condition and Context:* As part of our testing over the Social Security\_Disability Insurance program, we performed procedures for 14 CE providers to determine whether the Nevada Department of Employment, Training and Rehabilitation was performing license verifications and reviewing the HHS OIG LEIE as required. Of the 14 providers tested, ten did not have the required license verification procedures performed and the HHS OIG LEIE had not been reviewed for 13 providers.

*Questioned Costs:* None.

*Effect:* Consultative examinations may have been performed by nonqualified providers.

*Cause:* The Nevada Department of Employment, Training and Rehabilitation did not have adequate procedures and controls in place to ensure that only qualified providers perform consultative examinations.

*Recommendation:* We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures and controls to ensure that only qualified providers perform consultative examinations.

*Management's Response:* See management's response on page 166.



OFFICE OF THE DIRECTOR

March 9, 2015

Ms. Christyne Cavataio, Vocational Rehabilitation Program Specialist  
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550 12<sup>th</sup> Street, S.W., Room 5017  
Washington, D.C. 20202-2800

**Subj: Nevada Department of Employment, Training & Rehabilitation Response to 2014  
Single Audit Issues /Concerns**

Dear Ms. Cavataio,

This letter is in response to the annual Single Audit performed by Eide Bailly LLP, CPAs for Federal Programs administered by the Nevada Department of Employment, Training and Rehabilitation (DETR) for the fiscal year ended June 30, 2014. The specific audit findings pertaining to the Rehabilitation Services Administration (RSA) Federal Grants/Programs are listed below:

Findings 2014-013, 2014-014 & 2014-015 – Vocational Rehabilitation Cluster

- Rehabilitation Services – CFDA 84.126

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

Sincerely,

  
Don Soderberg  
Director

cc: Todd Dufford, DOE, Audit Resolution Specialist  
Dennis Perea, DETR Deputy Director  
Shelley Hendren, DETR Administrator, Vocational Rehabilitation Division  
Melaine Mason, DETR Deputy Administrator, Vocational Rehabilitation  
Janice John, DETR Deputy Administrator, Vocational Rehabilitation  
Mark Costa, DETR Chief Financial Officer  
Duane E. Anderson, DETR Chief Auditor  
Shannon Ryan, Legislative Counsel Bureau, Deputy Legislative Auditor  
Daniel Rushin, Eide Bailly LLP, Audit Manager

**State of Nevada  
Department of Employment, Training and Rehabilitation (DETR)  
Responses to Single Audit Findings  
For the Year Ended June 30, 2014**

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

**Rehabilitation Services, Vocational Rehabilitation Grants to States, CFDA 84.126**

**Finding 2014-013**

As part of our testing, we selected a sample of individuals to verify their eligibility for Vocational Rehabilitation (Rehabilitation) services. For one of the 40 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.

**Recommendation**

We recommend that Nevada Department of Employment, Training and Rehabilitation (DETR) enhance procedures to ensure that eligibility determinations occur within the required time frame.

**Nevada DETR's Response**

Nevada DETR management remains fully committed to ensuring that eligibility determinations occur within the required time frame as illustrated by the extensive training sessions that were provided to staff in the past. We will continue to remind staff that adherence to the mandated eligibility standards be complied with in all instances, and will provide training to staff on this issue again this year.

**Finding 2014-014**

As part of our testing, we reviewed Rehabilitation Services' expenditures for fiscal years 2013 and 2012 (*for maintenance of effort compliance*) and noted that for both years the amount of expenditures from non-Federal sources was less than that of fiscal years 2011 and 2010, respectively. For fiscal year 2013, expenditures from non-Federal sources was \$1,300,761 less than the total such expenditures for fiscal year 2011. For fiscal year 2012, expenditures from non-Federal sources was \$1,333,737 less than the total such expenditures for fiscal year 2010.

The OMB Circular A-133 Compliance Supplement states that Rehabilitation Services' expenditures from non-Federal sources under the State Plan for the previous fiscal year must not be less than the total such expenditures for the fiscal year two years prior.

**Recommendation**

We recommend that Nevada DETR consider alternative sources of funds from all allowable sources to use as non-Federal expenditures to meet the maintenance of effort (MOE) requirement.

### Nevada DETR's Response

The Nevada DETR acknowledges the identified MOE deficits. Prior to SFY12, the Bureau of Vocational Rehabilitation followed the federal grant matching requirements outlined in the federal Section 110 grant. Specifically, the grant allows state programs to continue spending the federal funds in the second grant year that were matched by September 30<sup>th</sup> of the first grant year. However, in SFY12, the State identified this "pre-matching" as non-compliant with Section 7 of the State's 2012 Appropriations Act. DETR complied with Section 7, and as a result, had insufficient non-federal expenditures to meet the MOE requirement.

DETR continues to develop alternative sources of match. In the recent two years, three Third Party Cooperative Arrangements (TPCAs) have been approved. TPCAs allow other government entities to provide match in order for the program to draw federal Section 110 grant funds. Viable options for alternative sources of match do require collaborative activities that take time to develop and receive proper approvals, and to implement. Thus, the ability to react to a situation such as what occurred in SFY12 is not quickly solved by developing the alternative source of match.

### **Finding 2014-015**

As part of our testing over the Social Security Disability Insurance Program, we performed procedures for 14 consultative examination (CE) providers to determine whether the State was performing license verifications and reviewing the Health and Human Services (HHS), Office of Inspector General (OIG) List of Excluded Individuals and Entities (LEIE) as required. Of the 14 providers tested, ten did not have the required license verification procedures performed and the HHS OIG LEIE had not been reviewed for 13 providers.

### Recommendation

We recommend that Nevada DETR Rehabilitation management enhance procedures and controls to ensure compliance with the consultative examination process requirements.

### Nevada DETR's Response

Nevada DETR Rehabilitation management will complete a provider agreement process, which is currently underway, for all current and new CE providers by October 1, 2015. This provider agreement process includes re-verification that each existing or new CE provider holds a state medical license through the Nevada State Board of Medical Examiners. Additionally, each CE provider was/will be reviewed for exclusion on the HHS OIG List of Excluded Individuals. As of October 1, 2014, no further consultative examinations were scheduled with any provider that had not completed the provider agreement verification and approval process. New CE providers will not have examinations scheduled until the provider agreement process and verification is complete. All records are retained in the Rehabilitation office in Carson City. We will document the verification process in writing and ensure that staff involved with CEs are completing all verification steps initially and annually thereafter.

**U.S. DEPARTMENT OF TRANSPORTATION:**

Finding 2014-016:

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 two prime contractors and their subcontractors. Although the certified weekly payrolls were received, we noted several instances where the payrolls were submitted more than one week after the end of the weekly payroll. For the payrolls that were submitted later than one week, there was no documentation available of communication with the contractors to support efforts to ensure future reports would be submitted timely.

*Questioned Cost:* None.

*Effect:* Material noncompliance with the Davis-Bacon Act by a contractor or subcontractor could occur and not be detected or followed up on by the Nevada Department of Transportation in a timely manner.

*Cause:* Adequate control procedures were not in place to ensure that all required certified payrolls were timely received as prescribed by the Davis-Bacon Act.

*Recommendation:* We recommend that the Nevada Department of Transportation enhance procedures to ensure that certified payrolls are received as prescribed by the Davis-Bacon Act.

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

**U.S. DEPARTMENT OF TRANSPORTATION:**

Finding 2014-017:

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, 3397, required tests to be performed and additional independent assurance (IA) testing related to the initial tests. We noted that the IA testing for materials for the project were not performed as prescribed on the Required Minimum Number of Tests-IA column of the Acceptance Testing Frequency Report.

*Questioned Cost:* None.

*Effect:* Noncompliance with the quality assurance program could result in construction project deficiencies not being identified in a timely manner.

*Cause:* Adequate procedures were not in place to ensure that all required tests were performed as prescribed by the quality assurance program.



*Recommendation:* We recommend that the Nevada Department of Transportation enhance procedures to ensure that all required tests are performed as prescribed by the quality assurance program.

*Management's Response:* See management's response on page 173 and pages 175 through 199.

**U.S. DEPARTMENT OF TRANSPORTATION:**

Finding 2014-018:

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:* Affects all grant awards included under CFDA 20.205 and 20.205A on the Schedule of Expenditures of Federal Awards.

*Criteria:* The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain Federal awards report subaward information by the end of the month following the month in which the prime awardee obligates a subaward 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, it was noted that the required reporting for FFATA had not been performed for three of the six subawards associated with the Highway Planning and Construction Cluster. It was also noted that the required reporting for FFATA had not been performed in a timely manner for the remaining three subawards tested.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure in an accurate or timely manner.

*Cause:* The Nevada Department of Transportation did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

*Recommendation:* We recommend the Nevada Department of Transportation implement controls and procedures to ensure compliance with FFATA reporting requirements.

*Management's Response:* See management's response on page 173.



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

BRIAN SANDOVAL  
Governor

RUDY MALFABON, P.E., Director

March 10, 2015

In Reply Refer to:

Mr. Steve Bragorgos, Financial Manager  
Federal Highway Administration  
705 North Plaza Street, Suite 220  
Carson City, NV 89701

Dear Mr. Bragorgos:

EideBailly, 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, 2014. EideBailly's findings 14-016, 14-017 and 14-018 concern the Nevada Department of Transportation.

**Finding 2014-016 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 14-016:**

The Nevada Department of Transportation has hired two full time temporary employees solely for the purpose of enhancing our process for ensuring timely submission of certified payrolls in accordance with Davis-Bacon. A new Nevada Department of Transportation policy outlining procedures, responsibilities and compliance assurance has been drafted and is currently being reviewed. A Certified Payroll and Compliance Manual is being developed to define procedures, provide detailed requirements for checking certified payrolls weekly, and procedures for written notification to the contractor for all late payrolls, including withholding the bi-weekly progress payments when payroll violations are not immediately corrected. Training is scheduled for April of this year and the Manual is anticipated to be implemented by June 30, 2015.

The new policy, the new manual and the trainings will; enhance the communication between Nevada Department of Transportation, the Resident Engineer's and the contractors; ensure Davis-Bacon requirements are clearly defined and certified payrolls are to be submitted as required; continue proactive communication between Contract Compliance Division, construction crews and contractors; revise current specifications to clarify certified payroll submissions in accordance with Davis-Bacon.

In addition, Nevada Department of Transportation has requested enhancements to the contract compliance software, LCPtracker, to better utilize this software in the area of Davis Bacon compliance.

Tracy Larkin-Thomason, Deputy Director is responsible for this corrective action.

**Finding 2014-017 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 14-017:**

New procedures have been implemented to ensure that all required tests have been performed in accordance with the Nevada Department of Transportation’s Construction Manual Testing Frequencies for Independent Quality Assurance (see attached).

Work was completed on this audited contract, 3397, on December 23, 2010 which was prior to the Department implementing new procedures to ensure testing frequencies are met. The Single Audit for year ending June 30, 2013 resulted in similar findings to the above referenced audit finding which resulted in the Department developing and enforcing these new procedures (see attachments).

Sharon Foerschler and Jeff Freeman, Administrator I, are responsible for this corrective action.

**Finding 2014-018 resulted in the following recommendation:**

“We recommend that the Nevada Department of Transportation implement controls and procedures to ensure compliance with FFATA reporting requirements.”

**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 14-18:**

Reporting has been completed for the three subawards noted as missing.

Department staff has developed and implemented controls and procedures to ensure compliance with FFATA reporting requirements. Updated procedures include:

- (1) Reprioritization and restructure of assignments to ensure appropriate proofing and timely reporting;
- (2) Revisions to the way data is queried from the federal Fiscal Management Information System (FMIS) as a result of communication with the Federal Highway Administration;
- and (3) the addition of other sources of data to cross-check and ensure all that all required FFATA reports are entered timely into the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Felicia Denney, Administrative Officer 3, is responsible for this corrective action.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rodolfo Malfabon".

Rodolfo Malfabon, P.E.  
Director

Cc: Tracy Larkin-Thomason  
Robert Nellis  
Reid Kaiser  
David Olsen  
Norfa Lanuza  
Shannon Ryan  
Thomas O'Carroll  
Lori Hoover

Bill Hoffman  
Kevin Lee  
Thor Dyson ✓  
Mary Martini  
Thor Dyson ✓  
Jeff Freeman  
Sharon Foerschler  
Holli Stocks

TABLE 5.7 - MINIMUM REQUIRED SAMPLES AND TESTS - INDEPENDENT ASSURANCE (IA)

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	REMARKS
Borrow / Embankment	101 or 108	Harv. Mini. or Proctor	One per 50,000 yd <sup>3</sup>	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 50,000 yd <sup>3</sup>	Split samples with project	Visual audit of testing procedures
	102 or 103	Density	One per 50,000 yd <sup>3</sup>		
Select Borrow	101 or 108	Harv. Mini. or Proctor	One per 50,000 yd <sup>3</sup>	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 50,000 yd <sup>3</sup>	Split samples with project	Visual audit of testing procedures
	102 or 103	Density	One per 50,000 yd <sup>3</sup>		2-way splits required
	206	Sieve Analysis	One per 50,000 yd <sup>3</sup>	Split samples with project	
Backfill	101 or 108	Harv. Mini. or Proctor	One per 10,000 yd <sup>3</sup>	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 10,000 yd <sup>3</sup>	Split Samples with project	Visual audit of testing procedures
	102 or 103	Density	One per 10,000 yd <sup>3</sup>		2-way splits required
	206	Sieve Analysis	One per 10,000 yd <sup>3</sup>	Split samples with project	
Granular Backfill and MSE Backfill	101 or 108	Harv. Mini. or Proctor	One per 10,000 yd <sup>3</sup>	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 10,000 yd <sup>3</sup>	Split samples with project	Visual audit of testing procedures
	102 or 103	Density	One per 10,000 yd <sup>3</sup>		2-way splits required
	206	Sieve Analysis	One per 10,000 yd <sup>3</sup>	Split samples with project	2-way splits required
	210/211/212	Atterberg Limits	One per 10,000 yd <sup>3</sup>	Split samples with project	
Slurry Backfill	206	Sieve Analysis	One per 10,000 yd <sup>3</sup>	Split samples with project	2-way splits required
	431 or 432	Air Content by Volumetric or Pressure	One per 2,000 yd <sup>3</sup>	Same location as project control samples	Side by side audit

TABLE 5.7 - MINIMUM REQUIRED SAMPLES AND TESTS - INDEPENDENT ASSURANCE (IA)

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	REMARKS
Types 1, 2 & 3 Base (For Type 3 See Special Provisions)	101 or 108	Harv. Mini. or Proctor	One per 20,000 tons	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 20,000 tons	Split samples with project	
	102 or 103	Density	One per 20,000 tons		Visual audit of testing procedures
	206	Sieve Analysis	One per 20,000 tons		2-way splits required
	210/211/212	Atterberg Limits	One per 20,000 tons	Split samples with project	2-way splits required
	230	Fractured Face	One per 20,000 tons		2-way splits required
Aggregate for Portland Cement Treated Base	206	Sieve Analysis	One per 10,000 tons	Road mixed: From processed material, prior to adding cement Plantmixed: From conveyors, prior to adding cement	2-way splits required
	227	Sand Equivalent	One per 10,000 tons		2-way splits required
Cement Treated Base (Roadmix or Plantmix Method)	101 or 108	Harv. Mini. or Proctor	One per 20,000 tons	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 20,000 tons	Split samples with project	
	102 or 103	Density	One per 20,000 tons		Visual audit of testing procedures
Pulverized Base and Surface (Roadbed Modification)	101 or 108	Harv. Mini. or Proctor	One per 70,000 yd <sup>2</sup>	Split samples with project	Compaction audits required
	104	Specific Gravity	One per 70,000 yd <sup>2</sup>	Split samples with project	
	102 or 103	Density	One per 70,000 yd <sup>2</sup>		Visual audit of testing procedures
	206	Sieve Analysis	One per 70,000 yd <sup>2</sup>	Split samples with project	2-way splits required

**TABLE 5.7 - MINIMUM REQUIRED SAMPLES AND TESTS - INDEPENDENT ASSURANCE (IA)**

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	REMARKS
Shouldering Material	206	Sieve Analysis	One per 20,000 tons	Split samples with project	2-way splits required
	210/211/212	Atterberg Limits	One per 20,000 tons	Split samples with project	2-way splits required
Aggregate for Plantmix Bituminous Base, Surface, Open-Graded and Permeable Base	210/211/212	Atterberg Limits	One per project per stockpile		2-way splits required P.I. tests to be performed prior to mainination
	230	Fractured Face	One per project per stockpile		2-way splits required
	111	Absorption of Coarse Aggregate	One per project per stockpile		2-way splits required
Permeable Base (Asphalt Treated)	206	Sieve Analysis	One per 20,000 tons	Split samples with project	2-way split required
	761	Bitumen Ratio	One per 20,000 tons	Split samples with project	
Plantmix Bituminous Base and Surface	206	Sieve Analysis	One per 20,000 tons	Split samples with project	2-way split required. First audit and split to be conducted on the first day of operations
	324	Theoretical Maximum Density (Rice)	One per 20,000 tons		
	761	Bitumen Ratio	One per 20,000 tons		2-way splits required. First audit and split to be conducted on the first day of operations
	335 or 750	Density	One per 100,000 yd <sup>2</sup>		Visual audit of testing procedure. First audit to be conducted on the first day of paving operations.
Plantmix Bituminous Open-Graded Surface	206	Sieve Analysis	One per 10,000 tons	Split samples with project	2-way split required. First audit and split to be conducted on the first day of operations
	761	Bitumen Ratio	One per 10,000 tons	Split samples with project	2-way split required. First audit and split to be conducted on the first day of operations



TABLE 5.7 - MINIMUM REQUIRED SAMPLES AND TESTS - INDEPENDENT ASSURANCE (IA)

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	REMARKS
Cold Recycle	750	Density	One per 70,000 yd <sup>2</sup>		Visual audit of testing procedures
	759	Field Viscosity	One per 20,000 tons		Visual audit of testing procedures
Surface Treatment Screenings (Chips)	206	Sieve Analysis	One per 20,000 tons	Split samples with project	2-way splits required
	228 (CA T227)	Cleaness Value	One per 20,000 tons	Split samples with project	2-way splits required
	230	Fractured Face	One per 20,000 tons	Split samples with project	2-way splits required
	759	Field Viscosity	One per 20,000 tons		Visual audit of testing procedures
Micro-Surfacing	206	Sieve Analysis	One per 20,000 tons	Split sample with project	2-way splits required
	210/211/212	Atterberg Limits	One per 20,000 tons	Split sample with project	2-way splits required
	227	Sand Equivalent	One per 20,000 tons	Split sample with project	2-way splits required
	230	Fractured Face	One per 20,000 tons	Split sample with project	2-way splits required
Concrete Aggregates	206	Sieve Analysis	Pavement: One per 70,000 yd <sup>2</sup> Structure: One per 3,000 yd <sup>3</sup>	Split samples with project	2-way split required
	227	Sand Equivalent	Pavement: One per 70,000 yd <sup>2</sup> Structure: One per 3,000 yd <sup>3</sup>	Split samples with project	2-way split required
	228 (CA T227)	Cleaness Value	Pavement: One per 70,000 yd <sup>2</sup> Structure: One per 3,000 yd <sup>3</sup>	Split samples with project	2-way split required
Portland Cement Concrete for Structures	431 or 432	Air Content by Volumetric or Pressure	One per 1,000 yd <sup>3</sup>	Same location as project control samples	Side by side audit
	438	Slump	One per 1,000 yd <sup>3</sup>		
	435	Unit Weight	One per 1,000 yd <sup>3</sup>	Same location as project control samples	Side by side audit

**TABLE 5.7 - MINIMUM REQUIRED SAMPLES AND TESTS - INDEPENDENT ASSURANCE (IA)**

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	REMARKS
Portland Cement Concrete for Pavement	431 or 432	Air Content by Volumetric or Pressure	One per 7,500 yd <sup>3</sup>	Same location as project control samples	Side by side audit First audit on first day of operations
	438	Slump	One per 7,500 yd <sup>3</sup>	Same location as project control samples	Side by side audit First audit on first day of operations
	435	Unit Weight	One per 7,500 yd <sup>3</sup>	Same location as project control samples	Side by side audit First audit on first day of operations
Self Consolidating Concrete (SCC)	416	Air Content and Unit Weight	One per 1,000 yd <sup>3</sup>	Same location as project control samples	Side by side audit First audit on first day of operations
	417	Slump Flow / VSI (Visual Stability Index)	One per 1,000 yd <sup>3</sup>		Visual audit of testing procedures First audit on first day of operations
	418	J-Ring / Slump Cone	One per 1,000 yd <sup>3</sup>		Visual Audit of testing procedures First audit on first day of operations

Note: When utilizing coldmillings, follow the frequency for which the material is being used for, and refer to the Contract Special Provisions for additional specifications.

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Borrow / Embankment	115	Resistance "R" value	One per 40,000 m <sup>3</sup> (50,000 yd <sup>3</sup> ) or fraction thereof for qualifying the materials	Source Requirement Test	Sample one full, large canvas sample sack	Submit to Materials Division for testing
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	After final compaction		101 or 108 and 104 to be run concurrently
	104	Specific Gravity				
	102 or 103	Density	One per 4,000 m <sup>3</sup> (5,000 yd <sup>3</sup> ) of embankment, but not less than one per day, per lift	After final compaction		
Select Borrow	115	Resistance "R" value	One per 40,000 m <sup>3</sup> (50,000 yd <sup>3</sup> ) or fraction thereof for qualifying the materials	Source Requirement Test	Sample one full, large canvas sample sack	Submit to Materials Division for testing
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	After final compaction		101 or 108 and 104 to be run concurrently
	104	Specific Gravity				
	102 or 103	Density	One per 4,000 m <sup>3</sup> (5,000 yd <sup>3</sup> ) of embankment, but not less than one per day, per lift	After final compaction		
	206	Sieve Analysis	One per day		Table 5.3	
Original Ground and Base of Cuts	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	After final compaction		101 or 108 and 104 to be run concurrently
	104	Specific Gravity				
	102 or 103	Density	One per 3,350 m <sup>3</sup> (4,000 yd <sup>3</sup> ), but not less than one per day; or one per structure for footings, pipes, headwalls, etc.	After final compaction		

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Backfill	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	At the discretion of the Resident Engineer		101 or 108 and 104 to be run concurrently
	104	Specific Gravity				
	102 or 103	Density	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof per structure, or one per lift	At the discretion of the Resident Engineer		
	206	Sieve Analysis	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof		Table 5.3	
Granular Backfill	206	Sieve Analysis		Source Requirement Test	Sample one full, large canvas sample sack	Submit to Materials Division for testing
	210/211/212	Atterberg Limits				
	AASHTO T289	pH Value		Source Requirement Test		Submit to Materials Division for testing
	AASHTO T288	Resistivity		Source Requirement Test		Submit to Materials Division for testing
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	At the discretion of the Resident Engineer		101 or 108 and 104 to be run concurrently
	104	Specific Gravity				
	102 or 103	Density	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof per structure, or one per lift	At the discretion of the Resident Engineer		
	206	Sieve Analysis	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof		Table 5.3	
210/211/212	Atterberg Limits	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof				

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS	
MSE Backfill	206	Sieve Analysis	One per 7,650 m <sup>3</sup> (10,000 yd <sup>3</sup> ), one per stockpile minimum	Source Requirement Test	Sample on full, large canvas sample sack	Submit to Materials Division for Testing	
	210/211/212	Atterberg Limits	One per 7,650 m <sup>3</sup> (10,000 yd <sup>3</sup> ), one per stockpile minimum	Source Requirement Test		Submit to Materials Division for Testing	
	AASHTO T289 AASHTO T288 AASHTO T291 AASHTO T290	pH Value Resistivity Chlorides Sulfates	One per 7,650 m <sup>3</sup> (10,000 yd <sup>3</sup> ), one per stockpile minimum	Source Requirement Test		Submit to Materials Division for testing	
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	At the discretion of the Resident Engineer		101 or 108 and 104 to be run concurrently	
	104	Specific Gravity					
	102 or 103	Density					
	206	Sieve Analysis	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof per structure, or one per lift	At the discretion of the Resident Engineer	Table 5.3		
	210/211/212	Atterberg Limits	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof				
	Slurry Backfill	206	Sieve Analysis	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or fraction thereof		Table 5.3	Three 6" X 12" cylinders (28 day) are required for each sample. More may be made for information. Submit to designated lab for testing
		428	Compressive Strength	One per 150 m <sup>3</sup> (200 yd <sup>3</sup> ) or fraction thereof	See Nev. T425, Standard Method of Test for Sampling Fresh Concrete. At the discretion of the Resident Engineer		
431 or 432		Air Content by Volumetric or Pressure	One per 150 m <sup>3</sup> (200 yd <sup>3</sup> ) or fraction thereof	First test to be taken within first two loads			
438		Slump	At the discretion of the Resident Engineer			Slump is run whenever consistency is questionable. See Section 207	

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Drain Backfill	AASHTO T96	% of Wear (500 rev.)	One per 750 m <sup>3</sup> (1,000 yd <sup>3</sup> ) or one per project minimum	Source Requirement Test	Sample two full, large canvas sample sacks	Submit to Materials Division for testing
	206	Sieve Analysis		At time of use, jobsite stockpile	Table 5.3	
Types 1, 2 and 3 Base (For Type 3, See Special Provisions)	115	Resistance (R Value)		Source Requirement Test	Sample two full, large canvas sample sacks	Submit to Materials Division for testing
	AASHTO T96	% Wear (500 Rev.)		Source Requirement Test		Submit to Materials Division for testing
	206	Sieve Analysis	One per day or one per 1,800 t (2,000 tons) when nonuniform material	Class A: From roadway directly behind spreader Class B: From processed windrow, just prior to final lay down	Table 5.3	For small quantity, location and frequency of sample are at the discretion of the Resident Engineer
	210/211/212	Atterberg Limits	One per day or one per 1,800 t (2,000 tons) when non-uniform material			For small quantity, location and frequency of sample are at the discretion of the Resident Engineer
	230	Fractured Face	One per day			For small quantity, location and frequency of sample are at the discretion of the Resident Engineer
	112	Moisture	One per day or one per 1,800 t (2,000 tons) when nonuniform material	Moisture tests should be taken from the windrow or stockpile after the material has been weighed, but prior to adding any additional water in the field		Results for payment purposes. Moisture tests need to represent what was weighed
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	On roadway, after trimming and final compaction		101 or 108 and 104 to be run concurrently. For small quantity, location and frequency of sample are at the discretion of the Resident Engineer. For Type A only: Depth checks taken during density test but for information only. Record depths on Daily Construction Report.
	104	Specific Gravity				
	102 or 103	Density	One per 1800 t (one per 2,000 tons) or fraction thereof or one per lift	On roadway, after trimming and final compaction		

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Types 1, 2 and 3 Base (For Type 3, See Special Provisions) Cont.		Straightedge Tolerances Section 302	One per lane km (two per lane mile)	Finished surface		Record results on Daily Construction Report
Aggregate for Portland Cement Treated Base	AASHTO T96	% of Wear (500 rev.)		Source Requirement Test	Sample four full, large canvas sample sacks	Submit to Materials Division for testing
	206	Sieve Analysis	One per 900 t (1,000 tons)	Road mixed: From processed material, prior to adding cement Plant mixed: From conveyors, prior to adding cement	Table 5.3	During production, aggregate is sampled for informational purposes
	227	Sand Equivalent	One per day or one per 900 t (1,000 tons) when questionable material			
Cement Treated Base (Road mixed or Plant mixed Method)	237	Compressive Strength	Three on the first day of production, one per day thereafter. If questionable material, more tests may be required at the discretion of the Resident Engineer			Compressive strength for information only.
	112	Moisture	One per 1,800 t (2,000 tons)			Record moistures on Daily Construction Report
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	On roadway, after trimming and final compaction		101 or 108 and 104 to be run concurrently. Depth checks taken during density test for information only. Record depths on Daily Construction Report
	104	Specific Gravity				
	102 or 103	Density	One per 1,800 t (one per 2,000 tons) or fraction thereof or one per lift	On roadway, after trimming and final compaction		Record results on Daily Construction Report
		Straightedge Tolerances Section 304	One per lane km (two per lane mile) per lift	Finished surface		

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Pulverized Base and Surface (Roadbed Modification)	112	Moisture	One per 5,900 m <sup>2</sup> (7,000 yd <sup>2</sup> ) or fraction thereof	On roadway, after final compaction		Record moistures on sieve analysis form
	101 or 108	Harv. Mini. or Proctor	101 or 108 and 104 to be run every 25 compaction tests, minimum	On roadway, after final compaction		101 or 108 and 104 to be run concurrently. Depth checks for information only. Record depths on Daily Construction Report
	104	Specific Gravity	One per 5,900 m <sup>2</sup> (7,000 yd <sup>2</sup> ) or fraction thereof	On roadway, after final compaction		
	102 or 103	Density	One per 5,900 m <sup>2</sup> (7,000 yd <sup>2</sup> ) or fraction thereof	After final pulverization by removing a composite sample of the pulverized surface at randomly selected sites prior to adding cement	Table 5.3	
	206	Sieve Analysis	One per lane km (two per lane mile)			Phenolphthalein test for information only. Record results on Daily Construction Report
Shouldering Material	206	Sieve Analysis	One per day or one per 1,800 t (2,000 tons) when non-uniform material; one per day for coldmilled material	At belt or stockpile. Coldmilled material from windrow	Table 5.3	
	210/211/212	Atterberg Limits	One per day or one per 1,800 t (2,000 tons) when questionable material			
Blotter Sand, Sand in Stockpile	206	Sieve Analysis	One per project per source	At belt or stockpile	Table 5.3	
Aggregate for Plantmix Bituminous Base, Surface, Open-Graded, Permeable Base and Premix	AASHTO T96	% of Wear (500 rev.)		Mix Design Submittal and/or Source Requirement Test	Sample two full, large canvas sample sacks from each size for each mix design	Submit to Materials Division for testing



TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Aggregate for Plantmix Bituminous Base, Surface, Open-Graded, Permeable Base and Premix Cont.	206	Sieve Analysis		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	210/211/212	Atterberg Limits		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	230	Fractured Face		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	AASHTO T104	Soundness, Sodium	Coarse and fine aggregate	Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	AASHTO T85	Absorption	Coarse aggregate	Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	AASHTO T84	Specific Gravity	Fine aggregate	Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	AASHTO T85	Specific Gravity	Coarse aggregate	Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	206	Sieve Analysis	One per 4,500 t (5,000 tons) of each size produced, minimum one test per five production days for each size aggregate	From belt or stockpile	Table 5.3	Tests must be run prior to marination. For information only
	210/211/212	Atterberg Limits	One per 4,500 t (5,000 tons) of each size produced, minimum one test per five production days for each size aggregate	From belt or stockpile		Tests must be run prior to marination
	230	Fractured Face	One per 4,500 t (5,000 tons) of each size produced, minimum one test per five production days for each size aggregate	From belt or stockpile		Tests must be run prior to marination
	111	Absorption of Coarse Aggregate	One per five production days per size	From belt or stockpile		Tests must be run prior to marination
	112	Moisture	Minimum one per size per week	From belt of stockpile during marination		Record moistures in Marination Diary. For information only.

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Aggregate for Plantmix Bituminous Base, Surface, Open-Graded, Permeable Base and Premix Cont.		Lime Distribution	One per size per project. If questionable material, more tests may be required at the discretion of the Resident Engineer	From belt or stockpile during mainination		Phenolphthalein test during production. Record in Mainination Diary
Recycled Asphalt Pavement (RAP) for Plantmix Bituminous Surface	AASHTO T30	Mechanical Analysis of Extracted Aggregate		Mix Design Submittal	Sample two full, large canvas sample sacks from each size for each mix design	Submit to Materials Division for testing
	AASHTO T164	Extraction of Asphalt Binder		Mix Design Submittal		Submit to Materials Division for testing
		Sieve Analysis	One per 4,500 t (5,000 tons) of each size produced, minimum one test per five production days for each size aggregate	From belt or stockpile	Table 5.3	Verify material meets specified sieve requirements
Permeable Base (Asphalt Treated)	206	Sieve Analysis	One per 1,800 t (2,000 tons), or one per day minimum	Section 303 of Special Provisions	Table 5.3	Material remaining from Nev. T761
	761 306	Bitumen Ratio	One per 1,800 t (2,000 tons), or one per day minimum	Finished surface		Record results on Daily Construction Report
		Moisture Content	One per lane km (two per lane mile)			
		Straightedge Tolerances				
		Section 303				

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Premix	AASHTO T269	Percent Air Voids of Compacted Mixture	One per project	From jobsite stockpile	Three full 6" X 12" cylinders, this sample will cover AASHTO T269 and Nev. T303	Submit to Materials Division for testing
	T303	Stabilometer	One per project	From jobsite stockpile		Submit to Materials Division for testing
	206	Sieve Analysis	One per 1,800 t (2,000 tons) or one per day minimum	From coldfeed belt at plant during production	Table 5.3	
Plantmix Bituminous Base and Surface	206	Sieve Analysis	One per 900 t (1,000 tons) for the first two production days. Reduce to one per 1,800 t (2,000 tons) if specification material is continuously produced or one per day minimum. If two consecutive tests are out of specifications, return to one per 900 t (1,000 tons)	Section 106	Table 5.3	Material remaining from Nev. T761
	112	Moisture	One per day	From coldfeed belt at plant during production		For information only, record moistures on testers portion of Daily Plant Report
	761 306	Bitumen Ratio Moisture Content	One per 900 t (1,000 tons) for the first two production days, reduce to one per 1,800 t (2,000 tons) if consistently within jobmix tolerances or one per day minimum. NOTE: Immediately test another sample to verify the results before making plant adjustment	Composite sample from behind the paver, prior to rolling		
	324	Theoretical Maximum Density (Rice)	One for each one-half day of production (a.m. and p.m.)	Composite sample from behind the paver, prior to rolling		For Method B compaction only

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Plantmix Bituminous Base and Surface Cont.	AASHTO T269	Percent Air Voids of Compacted Mixture	Sample first three days of paving; then one per 9,000 t (10,000 tons) or twice per week, whichever is less		Three full 6" X 12" cylinders; this sample will cover AASHTO T269 and Nev. T303 and T341	Submit to Materials Division for testing
	303	Stabilometer	One per 9,000 t (10,000 tons) or twice per week, whichever is less; sample first three days of paving			Submit to Materials Division for testing
	341	Indirect Tensile Strength and Retained Strength	One per 9,000 t (10,000 tons) or twice per week, whichever is less; sample first three days of paving	Random locations per Test Method		Submit to Materials Division for testing. Materials Division will determine the frequency of performing the test
	335 or 750	Density	Section 402	Finished surface		See specifications for required test method and density requirements. Nev. T336 will be used to correlate the thin layer density gauge (Nev. T335)
Plantmix Bituminous Open-Graded Surface	446	Evaluation of Profiles	Section 402	Section 402		Record results on Daily Construction Report
	206	Sieve Analysis	One per lane km (two per lane mile)			Complete within 48 hours after placement
	112	Moisture	Section 402		Table 5.3	Material remaining from Nev. T761
	761	Bitumen Ratio	One per 900 t (1,000 tons) or one per day minimum	From augers at paver or windrow in front of paver		For information only, record moistures on testers portion of Daily Plant Report
	306	Moisture Content	One per day	From coldfeed belt at plant during production		
			One per 900 t (1,000 tons) or one per day minimum	From augers at paver or windrow in front of paver		

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Plantmix Bituminous Open-Graded Surface Cont.	446	Straightedge Tolerance Section 402	One per lane km (two per lane mile)	Finished surface		Record results on Daily Construction Report
		Evaluation of Profiles	Section 402 and 403	Section 402 and 403		Complete within 48 hours after placement
Cold Recycle		Sieve Analysis	One per lane km (two per lane mile)	Windrow	Table 5.3	Verify material meets specified sieve requirements
	750	Density	Section 404	Random locations per Test Method		One in a.m. and one in p.m., for information only. Record moistures on Daily Construction Report
	112	Moisture	Two per day	Windrow		(Moisture for cores)
	112	Moisture	See Section 404	Section 404		Sampled by contractor and observed by NDOT representative
	759	Field Viscosity Section 404	One per truck and one per trailer	Approximate midpoint / mid depth of the load		Record results on Daily Construction Report
Surface Treatment Screenings (Chips)		Straightedge Tolerance Section 404	One per lane km (two per lane mile)	Finished surface		
	AASHTO T96	% Wear (500 Rev.)	One per project, per source, per supplier	Source Requirement Test	Sample two full, large canvas sample sacks per source per supplier	Submit asphalt and aggregate to Materials Division for testing
	209	Stripping	One per project, per source, per supplier	Aggregate source and asphalt supplier specific	1 gallon of asphalt	Submit 1 gallon of asphalt and aggregate sample to Materials Division for testing
	206	Sieve Analysis	One per 1,800 t (2,000 tons)	From jobsite stockpiles	Table 5.3	
	228 (CA T227)	Cleaness Value	One per 1,800 t (2,000 tons)	From jobsite stockpiles		

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Surface Treatment Screenings (Chips) Cont.	230	Fractured Face	One per 1,800 t (2,000 tons), minimum one per project	From jobsite stockpiles		Sampled by contractor and observed by NDOT representative
	759	Field Viscosity Section 408	One per truck and one per trailer	Approximate mid depth / midpoint of the load		
Micro-Surfacing	AASHTO T96	% Wear (500 Rev.)		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	AASHTO T104	Soundness, Sodium	Coarse and fine aggregate	Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	206	Sieve Analysis		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	210/211/212	Atterberg Limits		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	227	Sand Equivalent		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	230	Fractured Face		Mix Design Submittal and/or Source Requirement Test		Submit to Materials Division for testing
	206	Sieve Analysis	One per 1,800 t (2,000 tons) or one per day minimum	From belt or stockpile	Table 5.3	
	210/211/212	Atterberg Limits	One per 1,800 t (2,000 tons) or one per day minimum	From Jobsite Stockpiles		
	227	Sand Equivalent	One per 1,800 t (2,000 tons) or one per day minimum	From Jobsite Stockpiles		
	230	Fractured Face	One per 1,800 t (2,000 tons) or one per day minimum	From Jobsite Stockpiles		

**TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT**

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Concrete Aggregates	AASHTO T96	% Wear (500 Rev.)	Contact Materials Division	Source Requirement Test		Contact Materials Division
	AASHTO T104	Soundness, Sodium		Source Requirement Test		
	AASHTO T19	Unit Weight		Source Requirement Test		For lightweight aggregate only
	AASHTO T21	Organic Impurities		Source Requirement Test		
	ASTM C330	Staining Material		Source Requirement Test		
	ASTM C87	Mortar Making Properties		Source Requirement Test		
	AASHTO T112	Clay Lumps	One per project, per source, per coarse size	Samples to be taken in conjunction with source acceptance samples	Sample one full, large canvas sample sack for each size	Submit to Materials Division for testing
	206	Sieve Analysis	Pavement: One per size per 6,000 m <sup>2</sup> (7,000 yd <sup>2</sup> ) of pavement or fraction thereof Structures: One per size per 225 m <sup>3</sup> (300 yd <sup>3</sup> ) of concrete or fraction thereof	Belt sample whenever possible. Structures: Sample stockpiles before beginning concrete production	Table 5.3	
	227	Sand Equivalent	Pavement: One per day, when questionable material, one per 6000 m <sup>2</sup> (7000 yd <sup>2</sup> ) of pavement or fraction thereof Structures: One per 225 m <sup>3</sup> (300 yd <sup>3</sup> ), or when questionable material, one per day			Fine Aggregate
	228 (CA T227)	Cleaness Value	Pavement: One per week (5 days production) Structures: One per 225 m <sup>3</sup> (300 yd <sup>3</sup> ) (not required on minor and incidental concrete), or one per week with single placements over 225 m <sup>3</sup> (300 yd <sup>3</sup> )			Commercial sources to be tested two days prior to anticipated use. Coarse Aggregate
112	Moisture	Minimum of one per day per size	Prior to beginning concrete production		For information only	

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Concrete Aggregates Cont.	492	Specific Gravity	Minimum of one per source per mix design			For information only
	493	Absorption	Minimum of one per source per mix design			For information only
Portland Cement Concrete for Structures (For precast boxes and MSE panels, testing freq. can be doubled if cast from a certified facility)	428	Compressive Strength	One set per 75 m <sup>3</sup> (100 yd <sup>3</sup> ). Minimum one set per pour	See Nev. T425, Standard Method of Test for Sampling Fresh Concrete. At the discretion of the Resident Engineer		Three cylinders (28 day) are required for each sample. Two additional cylinders (7 day) will be required for MSE panels. More may be made for information. Submit to designated lab for testing
	431 or 432	Air Content by Volumetric or Pressure	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof	First test to be taken within first two loads		
	438	Slump	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof	First test to be taken within first two loads		Slump is run concurrently with fabrication of cylinders; also whenever required or consistency is questionable. If failing results, vehicle should stop unloading, test results verified and corrective action taken
Pneumatically Placed Concrete Aggregates (Shotcrete Aggregate)	435	Unit Weight	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof		0.03 m <sup>3</sup> (1 ft <sup>3</sup> )	Unit weight is run concurrently with fabrication of cylinders Record measurements on Daily Construction Report
		Field Measurements of concrete cover on deck reinforcement Section 502	Minimum of 12 measurements for each section of deck pour	Six measurements are to be taken before placing concrete and six measurements at the same locations shall be taken after concrete has been placed		
	206	Sieve Analysis	Minimum one per day	Sample during production	Table 5.3	



TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Pneumatically Placed Concrete (Shotcrete)	ASTM C42	Compressive Strength for Cores	Special Provisions, Section 660	Special Provisions, Section 660		Submit cores to Materials Division for testing
Self Consolidating Concrete (SCC)	416	Compressive Strength	One set per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof. Minimum one set per pour	See Nev. T425, Standard Method of Test for Sampling Fresh Concrete. At the discretion of the Resident Engineer		Three cylinders (28 day) are required for each sample. More may be made for information. Submit to designated lab for testing
	416	Air Content	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof	First test to be taken within first two loads		When possible, fabrication of cylinders, air content, unit weight, slump flow and j-ring to be run concurrently
	416	Unit Weight	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof			
	417	Slump Flow / VSI (Visual Stability Index)	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof	Test first three loads then one per 75 m <sup>3</sup> (100 yd <sup>3</sup> )	0.03 m <sup>3</sup> (1 ft <sup>3</sup> )	
	418	J-Ring / Slump cone	One per 75 m <sup>3</sup> (100 yd <sup>3</sup> ) or fraction thereof	First test to be taken within first two loads		
Portland Cement Concrete for Pavement	442	Flexural Strength	One per day	Platform at the plant or on roadway when using transit trucks		Three strength specimens are made from each sample and are broken in the field. Break one beam at age of 10 days and one beam at age of 28 days. The spare beam should be used in case of faulty break or if it is desired to vary the breaking schedule
	438	Slump	One per 600 m <sup>3</sup> (750 yd <sup>3</sup> ) but not less than one per day	Platform at the plant or on roadway when using transit trucks		Slump is run concurrently with fabrication of cylinders; also when consistency is questionable
	439	Ball Penetration	One per truck	Platform at the plant or on roadway when using transit trucks		This test is at the discretion of Resident Engineer; for concrete consistency only; Section 409
	435	Unit Weight	One per 600 m <sup>3</sup> (750 yd <sup>3</sup> ) but not less than one per day	Platform at the plant or on roadway when using transit trucks	0.03 m <sup>3</sup> (1 ft <sup>3</sup> )	Unit weight and air content to be run concurrently on different portions of the same sample

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Portland Cement Concrete for Pavement Cont.	431 or 432	Air Content by Volumetric or Pressure	One per 600 m <sup>3</sup> (750 yd <sup>3</sup> ) but not less than one per day	Platform at the plant or on roadway when using transit trucks	0.03 m <sup>3</sup> (1 ft <sup>3</sup> )	Concurrent with other tests. Three cylinders (28 day); more may be made for information
	428	Compressive Strength	One per 600 m <sup>3</sup> (750 yd <sup>3</sup> ) but not less than one per day	Platform at the plant or on roadway when using transit trucks		
	446	Evaluation of Profiles	Section 409	Section 409		
		Straightedge Tolerance	One per lane km (two per lane mile)	At the discretion of the Resident Engineer		
Grout for Post Tensioning Ducts, Soilnails, Shear Keys, Dowel Holes and Ground Anchors	AASHTO T-148	Length of Drilled Cores	One per 300 m (1,000 ft), or fraction thereof, traffic lane, auxiliary lane or shoulder	At random locations		Cores taken by Materials Division after profile grinding
		Dowel Bar Placement	All bars by MIT	At the discretion of the Resident Engineer		Performed by contractor. Two cores required per bar, one at each end
	426	Flow Test	One per girder, minimum	At the point of discharge		If test fails, perform a retest at the vent or the opposite end of that girder
	ASTM C39	Compressive Strength	Special Provisions, Section 503, 643 or 644	Special Provisions, Section 503, 643 or 644	Three 4" X 8" cylinders may be used in lieu of grout cubes	Submit to Materials Division for testing
Polymer Concrete	ASTM D4263	Moisture by Plastic Sheet Method	One per 90 m <sup>2</sup> (1,000 ft <sup>2</sup> ) or portion thereof	At the discretion of the Resident Engineer		Pull Off test
	ACI 503R	Surface Soundness and Adhesion	One per 50 m <sup>2</sup> (60 yd <sup>2</sup> ) or portion thereof	At the discretion of the Resident Engineer		



TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Fly Ash		Section 702	One sample per contract per supplier	During unloading at jobsite	2 kg (4 lbs), one 4" X 8" cylinder may be used	Submit to Materials Division for testing. A certificate of compliance for each load is required, per the specifications. Manufacturer's test report is required. Samples are taken by the contractor's representative and witnessed by an NDOT representative.
Hydrated Lime	ASTM 1097		Not required, unless requested by Resident Engineer	During unloading at jobsite	2.5 kg (5 lbs)	Submit to Materials Division for testing. A certificate of compliance for each load is required, per the specifications. If required, samples are taken by the contractor's representative and witnessed by an NDOT representative.
Quicklime (Cold Recycle)	ASTM C977		One sample per contract per supplier	During unloading at jobsite	2.5 kg (5 lbs)	Submit to Materials Division for testing. A certificate of compliance for each load is required, per the specifications. Samples are taken by the contractor's representative and witnessed by an NDOT representative.
Portland Cement	ASTM C150		Pavement: One sample per 100,000 m <sup>2</sup> (120,000 yd <sup>2</sup> ) of pavement Structures: One sample per type of cement per project per supplier	During unloading at jobsite	2 kg (4 lbs), one 4" X 8" cylinder may be used	Submit to Materials Division for testing. A certificate of compliance for each load is required, per the specifications. Cement is accepted for immediate use on the basis of Certificate of Compliance. Manufacturer's test report is required. Samples are taken by the contractor's representative and witnessed by an NDOT representative. Small quantities, at discretion of Resident Engineer.
Water (Cold Recycle, Concrete, etc.)			One sample per source	Submit according to specifications	Refer to specifications	Submit to Materials Division in clean glass or plastic container. No sample necessary if obtained from an obviously suitable source such as a domestic water supply. Sample still required for cold recycling

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Reinforcing Steel		Section 713	Two samples of each bar size per manufacturer per project per year	Supplier shall furnish 2 samples of each bar size for testing. Random samples may be taken as provided for in Section 505	0.75 m (30 in)	Submit to Materials Division for testing. Show heat numbers on transmittal and state test procedure needed ASTM A706 or ASTM A615. Certified mill tests used for acceptance at jobsites
Prestressing Bars, Steel Strand, Wire, Anchorage Assemblies and Bar Couplers		Section 713	Sample per size and heat for prestressing bar; sample per manufactured reel for prestressing steel strand; sample per coil for prestressing wire; and sample per lot for anchorage assemblies and bar couplers	Section 713	Refer to specifications	Submit with each sample, a certification stating the manufacturer's minimum guaranteed ultimate tensile strength of the sample furnished
Corrugated Metal Pipe (CMP) and Structural Plate Pipe	AA-SHTO T65	Spelter Coating	Two per 150 m (500 ft) or fraction thereof	Random samples throughout shipment after delivery to job	50 mm (2 in) triangle	Submit to Materials Division for testing. Tests on base metal performed periodically in addition to coating test. Show mill analysis and heat number
Reinforced Concrete Pipe (RCP)		Fabricator Certificate				Fabricator must have yearly certification by Materials Division
Permanent Sign Posts		Section 627	One sample per project per supplier	After delivery to jobsite	0.3 m (1')	Submit to Materials Division for testing
Metal Fence Posts		Section 724	One sample per project per supplier	After delivery to jobsite	0.3 m (1') except t-posts, need one full post	Submit to Materials Division for testing. Include grade and class on transmittal
Guide Posts		Section 721	One sample per project per supplier	After delivery to jobsite	One full post	Submit to Materials Division for testing
Object Markers		Section 721	One sample per project per supplier	After delivery to jobsite	One full post	Submit to Materials Division for testing

TABLE 5.1 – MINIMUM REQUIRED SAMPLES AND TESTS - PROJECT

MATERIAL OR PRODUCT	NEV. TEST NO.	TEST	SAMPLE FREQUENCY	LOCATION OR TIME OF SAMPLING	SIZE OF SAMPLE	REMARKS
Chain Link Fence		Section 724	Two pieces for each lot shipped to jobsite	Random samples from random spools after delivery to jobsite	0.3 m (1 ft) wide full height	Submit to Materials Division for testing
Woven Wire and Barbed Wire		Section 724	Woven Wire: Two pieces per 50 rolls or fraction thereof. Barbed Wire: Four pieces per 50 rolls or fraction thereof	Random samples from random spools after delivery to jobsite	Woven: Two sections wide full height. Barbed: 900 mm (3 ft) long	Submit to Materials Division for testing
Traffic Paint		Section 729	One per contract per manufacturer's lot	Upon delivery to jobsite	1 liter (1 qt) wide mouth metal can	Submit to Materials Division for testing. Sample each color. Epoxy: Sample each component. Include the manufacturer product code and batch on the transmittal. For waterborne paint, specify Type I or Type II
	511	Retroreflectivity Section 632	One per lane kilometer (three per lane mile) of stripes. Average five readings per location, minimum	1-2 weeks after application		
	510	Thickness Section 632	Two per day per color			Measured without beads
Pavement Marking Film (Tape)		Adhesion Section 634	One per lane kilometer (two per lane mile); miscellaneous items - arrows, only's, crosswalks, stop bars, etc. will be at the discretion of the Resident Engineer	Test within 48 hours of placement		
Traffic Beads		Section 730	One per project per manufacturer's lot	Upon delivery to jobsite	1 liter (1 qt) wide mouth metal can	Submit to Materials Division for testing. Include manufacturer's lot number and type on the transmittal

**U.S. DEPARTMENT OF ENERGY:**

Finding 2014-019:

State Energy Program, CFDA 81.041  
ARRA State Energy Program, CFDA 81.041A

*Grant Award Number:* Affects the grant award included under CFDA 81.041A on the Schedule of Expenditures of Federal Awards.

*Criteria:* *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. The U.S. Department of Energy issued *SEP Program Notice 10-008B, Guidance For State Energy Program Grantees on Financing Programs*, which provides that all program income, including interest earned, is subject to the terms and conditions of the original grant, and that federal funds used to capitalize a revolving loan fund maintain their federal character in perpetuity, and federal requirements apply at each revolution of the revolving loan funds.

*Condition and Context:* The State 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 reports generated from the State's accounting system and information provided by the agencies that administer the various Federal award programs.

During our testing and reconciliation of the expenditure and program income amounts on the SEFA to the State's accounting system, we noted that expenditures and program income related to the State's revolving loan fund capitalized with SEP ARRA funds were not included on the SEFA.

*Questioned Costs:* None.

*Effect:* Certain expenditure and program income amounts included on the SEFA were not accurate.

*Cause:* The Nevada Department of Administration did not have adequate controls and reconciliation procedures in place to

ensure Federal expenditures and program income amounts were accurately reported on the SEFA.

*Recommendation:* We recommend the Nevada Department of Administration implement procedures to ensure all Federal expenditures and program income amounts are reported accurately on the SEFA.

*Management's Response:* See management's response on page 202.



Brian Sandoval  
Governor



James R. Wells, CPA  
Interim Director

Evan Dale  
Administrator

STATE OF NEVADA  
DEPARTMENT OF ADMINISTRATION  
*Administrative Services Division*  
209 E Musser, Rm 304 | Carson City, NV 89701  
Phone: (775) 684-0273 | Fax (775) 684-0275

March 9, 2015

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

Dear Mrs. Howe

Eide Bailly & Company, CPA's performed an annual single audit of the Nevada Governor's Office of Energy and found that expenditures, as well as loan and interest revenue from the Revolving Loan Fund CFDA 81.041 ARRA SEP Grant were not included on the Schedule of Expenditures of Federal Awards (SEFA).

Finding 2014-019 resulted in the following recommendation:

We recommend the Nevada Department of Administration implement procedures to ensure all Federal expenditures and program income amounts are reported accurately on the SEFA.

Nevada Department of Administration, Administrative Services Division response:

The Nevada Department of Administration, Administrative Services Division accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 2014-019:

The Nevada Department of Administration, Administrative Services Division will put procedures in place to ensure that all federal expenditures, as well as loan and interest received, are reported on the SEFA by the due date. Administrative Services Division Administrator Evan Dale will be responsible for the oversight of these procedures that will be implemented by the July 1, 2015.

Sincerely,

A handwritten signature in blue ink that reads "Evan Dale".

Even Dale  
Administrator

**U.S. DEPARTMENT OF EDUCATION:**

Finding 2014-020:

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 84.388A

*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 direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward 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). It was noted that the required reporting for FFATA had not been performed for subawards and no evidence was available to support that efforts had been made to report such information.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure.

*Cause:* The Nevada Department of Education did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

*Recommendation:* We recommend the Nevada Department of Education implement controls and procedures to ensure compliance with FFATA reporting requirements.

*Management's Response:* See management's response on page 206.

**U.S. DEPARTMENT OF EDUCATION:**

Finding 2014-021:

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 84.388A

*Grant Award Number:* Potentially affects all grant awards included under CFDA numbers 84.367, 84.371, 84.377 and 84.388A on the Schedule of Expenditures of Federal Awards.

*Criteria:* U.S. Department of the Treasury regulations at 31 CFR part 205 Subpart B indicate that the timing and amount of funds drawn must be as close as is administratively feasible to a State's actual cash outlay for direct program costs.

*Condition and Context:* We planned to test a sample of cash draws to ensure funds were requested as close as administratively feasible to the actual cash outlay. For all of the cash draws that we selected for testing, the Nevada Department of Education was unable to provide adequate support to identify the program costs that the cash draws were being prepared for. Therefore, we were unable to determine that funds were drawn as close as administratively feasible to the actual cash outlay.

*Questioned Costs:* None.

*Effect:* The Nevada Department of Education may have drawn funds in advance of immediate cash needs.

*Cause:* The Nevada Department of Education did not have adequate controls in place to maintain documentation to support that funds were drawn for immediate cash needs.

*Recommendation:* We recommend that the Nevada Department of Education implement controls to maintain documentation to support that funds were drawn for immediate cash needs.

*Management's Response:* See management's response on pages 207 and 208.

**BRIAN SANDOVAL**  
*Governor*

STATE OF NEVADA

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**DALE A.R. ERQUIAGA**  
*Superintendent of Public Instruction*



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March 02, 2015

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202-260-0991

Sara Waly, Education Program Specialist  
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Rosemary Fennell  
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Phone 202-401-2425

Dear Program Officers,

EideBailly 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, 2014. EideBailly's finding 14-020 concerns these programs.

**Finding 14-020 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 for FY2015 and beyond. Prior years were updated in the FFATA system, in January of 2015.

If you have any question, please contact Robert Pawley, Administrative Services Officer III at (775)-687-9234 or email at [rpawley@doe.nv.gov](mailto:rpawley@doe.nv.gov), or Leslie James at (775)-687-9134 or email at [lames@doe.nv.gov](mailto:lames@doe.nv.gov) or Janie Lowe at (775)-687-9161 or email at [jlowe@doe.nv.gov](mailto:jlowe@doe.nv.gov)

Sincerely,



Mindy Martini  
Deputy Superintendent, Business and Support Services  
Nevada Department of Education

cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau  
Dale Erquiaga, Superintendent of Public Instruction, Nevada Department of Education (NDE)  
Steve Canavero, Deputy Superintendent - Student Achievement, NDE  
Dena Durish, Director of Educator Effectiveness, NDE  
Robert Pawley, Administrative Services Office (ASO) III, NDE  
Lisa Young, ASO III, NDE  
Budd Milazzo, Deputy State Treasurer – Cash Management

**BRIAN SANDOVAL**  
*Governor*

STATE OF NEVADA

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**DALE A.R. ERQUIAGA**  
*Superintendent of Public Instruction*



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March 02, 2015

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Phone 202-401-2425

Dear Program Officers,

EideBailly 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, 2014. EideBailly's finding 14-021 concerns these programs.

**Finding 14-021 resulted in the following recommendations:**

We recommend the Nevada Department of Education implement controls to maintain documentation to support that funds were drawn for immediate cash needs.

**Nevada Department of Education response:**

The Nevada Department of Education accepts the finding and will implement procedures to ensure all documentation maintained shows that funds drawn were for immediate cash needs.

**Corrective Action:**

The Department has implemented procedures to ensure that all documentation for draws demonstrates that the funds requested were for immediate cash needs. The documentation will follow the Department's record retention schedule and will be available for inspection.

If you have any question, please contact Lisa Young, Administrative Services Officer III at (775)-687-9169 or email at [lyoung@doe.nv.gov](mailto:lyoung@doe.nv.gov), or Leslie James at (775)-687-9134 or email at [ljames@doe.nv.gov](mailto:ljames@doe.nv.gov) or Janie Lowe at (775)-687-9161 or email at [jlowe@doe.nv.gov](mailto:jlowe@doe.nv.gov)

Sincerely,



Mindy Martini  
Deputy Superintendent, Business and Support Services  
Nevada Department of Education

cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau  
Dale Erquiaga, Superintendent of Public Instruction, Nevada Department of Education (NDE)  
Steve Canavero, Deputy Superintendent - Student Achievement, NDE  
Dena Durish, Director of Educator Effectiveness, NDE  
Robert Pawley, Administrative Services Office (ASO) III, NDE  
Lisa Young, ASO III, NDE

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-022:

State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges, CFDA 93.525

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.525 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward 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, it was noted that the required reporting for FFATA had not been performed for any of the five subawards associated with the State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges Program.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure.

*Cause:* The Silver State Health Insurance Exchange did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

*Recommendation:* We recommend the Silver State Health Insurance Exchange implement controls and procedures to ensure compliance with FFATA reporting requirements.

*Management's Response:* See management's response on pages 210 and 211.





**Brian Sandoval**  
Governor

**Leslie A. Johnstone**  
Chairwoman

**Bruce Gilbert**  
Executive Director

# Silver State Health Insurance Exchange

2310 S. Carson Street, Suite 2, Carson City, NV 89701 • T: 775-687-9939 F: 775-687-9932  
exchange.nv.gov

Ms. Gina Hambrick, State Officer  
US Department of Health and Human Services  
Centers for Medicare and Medicaid Services (CMS)  
Center for Consumer Information and Insurance Oversight (CCIIO)  
200 Independence Avenue, SW, Room 739H  
Washington, DC 20201

Dear Ms. Hambrick,

Eide Bailly LLP performed an annual single audit of State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges, CFDA 93.525, active during the State of Nevada's fiscal year 2014 which ended June 30, 2014. Eide Bailly LLP's findings 2014-022 concern Establishment Grants for the ACA's Exchanges.

Finding 2014-022 resulted in the following recommendation:

We recommend the Silver State Health Insurance Exchange implement controls and procedures to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

Silver State Health Insurance Exchange Response:

The Silver State Health Insurance Exchange accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 2014-022:

Procedures have been put into place to ensure that all subaward information is reported by the end of the month following the month in which the prime awardee obligates a subaward equal to or greater than \$25,000 as per FFATA reporting requirements.

The Silver State Health Insurance Exchange has submitted FFATA reports for all obligations to subawards since the award of Establishment Grant funding.

Single Audit Response  
February 26, 2015

If you have any questions, please contact Cari Eaton, Finance Officer at 775-687-9929 or [ceaton@exchange.nv.gov](mailto:ceaton@exchange.nv.gov).

Sincerely,



Bruce Gilbert  
Executive Director

cc:

Daniel E. Rushin, CPA, Eide Bailly LLP  
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-023:

Medicaid Cluster:

State Medicaid Fraud Control Units, CFDA 93.775

State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare,  
CFDA 93.777

Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778

*Grant Award Number:* Potentially affects all grant awards under CFDA 93.778 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Circular A-133 Compliance Supplement* for the Medicaid Cluster provides that the State agency is required to determine eligibility in accordance with the eligibility requirements defined in the approved State plan.

*Condition and Context:* As part of our audit procedures, we selected a sample of Medicaid recipients and reviewed their eligibility status. The total sample consisted of two separate populations.

The first population consisted of recipients whose case files had been reviewed as part of the State's quality control procedures. Of the ten case files reviewed, we noted one instance where, as a result of the quality control review, the recipient had been determined to be ineligible for Medicaid benefits. However, no action was taken as a result of the quality control review and the recipient continued to be eligible to receive Medicaid benefits.

The second population of our sample consisted of recipients who had been determined to be eligible by the State based on factors other than their Modified Adjusted Gross Income, i.e. non-MAGI determinations. Of the 30 non-MAGI determination case files reviewed, we noted one instance where, due to a data entry error in the NOMADS system, the recipient was incorrectly determined to be eligible for Medicaid benefits.

*Questioned Costs:* None.

*Effect:* Amounts may have been paid for ineligible individuals.

*Cause:* The Nevada Division of Welfare and Supportive Services did not have adequate controls in place to ensure that the results of quality control procedures were acted upon and that non-MAGI determinations were reviewed to ensure all data was entered correctly into the NOMADS system.

*Recommendation:* We recommend the Nevada Division of Welfare and Supportive Services enhance controls to ensure that the results of quality control reviews are acted upon and that non-MAGI determinations are reviewed to ensure all pertinent eligibility data entered into the NOMADS system is correct.

*Management's Response:* See management's response on pages 214 and 215.



BRIAN SANDOVAL  
Governor

STATE OF NEVADA  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
**DIVISION OF WELFARE & SUPPORTIVE SERVICES**  
1470 College Parkway  
Carson City, NV 89706  
(775) 684-0500

RICHARD WHITLEY  
*Interim Director*

STEVE H. FISHER  
*Administrator*

March 13, 2015

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

Dear Ms. Sam-Louie,

Eide Bailly, LLP., 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, 2014. Included in the audit were the State Medicaid Fraud Control Units, CFDA 93.775, State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, CFDA 93.77 and Medical Assistance Program (Medicaid, Title XIX), CFDA 93.778. Eide Bailly's finding 2014-023 concerns these programs.

**Finding 2014-23 resulted in the following recommendation:**

We recommend the Nevada Division of Welfare and Supportive Services enhance controls to ensure that the results of quality control reviews are acted upon and that non-MAGI determinations are reviewed to ensure all pertinent eligibility data entered into the NOMADS system is correct.

**DWSS Response:**

The Division of Welfare and Supportive Services (DWSS) accepts this finding. The auditors noted DWSS did not have adequate controls in place to ensure that the results of quality control procedures were acted upon. In their audit of case files, it was found Quality Control had determined a client was ineligible for Medicaid benefits. However, no action was taken by field staff and the recipient continued to receive Medicaid benefits. Additionally, the auditors reviewed non-MAGI case files and noted that in one instance, due to a data entry error in the NOMADS system, a client was incorrectly determined to be eligible for Medicaid benefits.

**Corrective Action:**

The division will review staff processes in order to assure the results of quality control reviews are acted upon in a timely and efficient manner. In order to accomplish this, the division is actively examining current procedural practices and will consider various new concepts in order to determine the most efficient course of action to implement and achieve beneficial change. As it is anticipated this will affect additional processes, DWSS hopes to have improved procedural controls in place prior to June 30, 2015.

During the last year the division has hired many new staff to assist with the eligibility process and believes the finding regarding the non-MAGI case was due to an inadvertent clerical error. DWSS recently changed field staff work performance standards to include typographical errors. This has also been added as a requirement during supervisory and internal corrective action reviews. It is anticipated these additional measures will ensure all pertinent eligibility data entered into the NOMADS system will be evaluated for accuracy. DWSS has already addressed the case file found to be ineligible and taken corrective measures to rectify the issue.

All compliance actions will be under the supervision of Naomi Lewis, Deputy Administrator Program and Field Services.

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

Sincerely,



Steve H. Fisher  
Administrator

Cc: Richard Whitley, Interim Director Department of Health and Human Services  
Ellen Crecelius, DHHS Deputy Director, Fiscal Services  
Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau  
Lori Hoover, CPA, Financial Manager, Department of Administration, Division of Internal Audits  
Sue Smith, Deputy Administrator, Administrative Services  
Naomi Lewis, Deputy Administrator, Program/Field Operations  
Michaela Woodburn, ASO II, Accounting  
Nova Murray, DWSS, Chief, Eligibility and Payments  
Jeanne Gregg, Auditor III, PRE

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-024:

Low-Income Home Energy Assistance, CFDA 93.568

Child Care and Development Fund Cluster:

Child Care and Development Block Grant, CFDA 93.575

Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.568, 93.575 and 93.596 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward 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, it was noted that the required reporting for FFATA had not been performed for any of the subawards associated with the Low-Income Home Energy Assistance Program and the Child Care and Development Fund Cluster.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure.

*Cause:* The Nevada Division of Welfare and Supportive Services did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

*Recommendation:* We recommend the Nevada Division of Welfare and Supportive Services implement controls and procedures to ensure compliance with FFATA reporting requirements.

*Management's Response:* See management's response on page 219.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-025:

Child Care and Development Fund Cluster:

Child Care and Development Block Grant, CFDA 93.575

Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

*Grant Award Number:* Potentially affects grant awards included under CFDA 93.575 and 93.596 on the Schedule of Expenditures of Federal Awards.

*Criteria* As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency, as well as ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipients take timely and appropriate corrective action on all audit findings. Further, the pass-through entity is responsible for obtaining the DUNS number for each subgrantee.

*Condition and Context:* As part of our audit procedures, we determined that the Nevada Division of Welfare and Supportive Services had awarded funds to two subrecipients. However, it was noted that subrecipient monitoring procedures had not been performed.

*Questioned Costs:* None.

*Effect:* Subrecipients may be unaware of specific Federal award requirements, which could result in noncompliance at the subrecipient level that is not detected by the State.

*Cause:* The Nevada Division of Welfare and Supportive Services had determined that the two entities were vendors, and therefore did not perform subrecipient monitoring procedures.



*Recommendation:*

We recommend the Nevada Division of Welfare and Supportive Services confer with the Federal awarding agency and obtain guidance regarding the determination of vendor or subrecipient status for the two entities. If the two entities are determined to be subrecipients, we recommend the required subrecipient monitoring procedures be performed.

*Management's Response:*

See management's responses on pages 219 and 220.



**BRIAN SANDOVAL**  
Governor

STATE OF NEVADA  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
DIVISION OF WELFARE & SUPPORTIVE SERVICES

1470 College Parkway  
Carson City, NV 89706  
(775) 684-0500

**RICHARD WHITLEY**  
Interim Director

**STEVE H. FISHER**  
Administrator

March 13, 2015

Mr. Robert E. Garcia, RA  
Administration for Children & Families, Region IX  
90 7<sup>th</sup> St., 9<sup>th</sup> Floor  
San Francisco, California 94103

Dear Mr. Garcia,

Eide Bailly, LLP., 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, 2014. Included in the audit were the Low Income Home Energy Assistance Program (LIHEAP), CFDA – 93.568, Child Care and Development Block Grant, CFDA 93.575 and Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596. Eide Bailly's findings 2014-024 and 2014-025 concern these programs.

**Finding 2014-24 resulted in the following recommendation:**

We recommend the Nevada Division of Welfare and Supportive Services implement controls and procedures to ensure compliance with FFATA reporting requirements.

**DWSS Response:**

The Division of Welfare and Supportive Services (DWSS) accepts this finding. The auditors noted that the required reporting for FFATA had not been performed for any of the sub awards associated with the LIHEAP and Child Care and Development Fund Cluster programs.

**Corrective Action:**

DWSS believed the sub recipient was responsible for the required sub award reporting and therefore did not include them in its monthly reports. As a result, the division has permanently assigned a position to report sub award obligations and usage in compliance with FFATA reporting requirements. All reports will be reviewed by a supervisor to ensure accuracy after preparation and prior to submission of the reports through the FFATA Sub award Reporting System (FSRS).

**Finding 2014-25 resulted in the following recommendation:**

We recommend the Nevada Division of Welfare and Supportive Services confer with the Federal awarding agency and obtain guidance regarding the determination of vendor or sub recipient status for the two entities. If the two entities are determined to be sub recipients, we recommend the required sub recipient monitoring procedures be performed.

Robert E. Garcia  
March 13, 2015  
Page 2

**DWSS Response:**

The Division of Welfare and Supportive Services has reviewed and accepts this finding. DWSS had previously determined the two entities were vendors and not subject to sub recipient monitoring requirements and appreciates the opportunity to obtain further clarification.

**Corrective Action:**

Once DWSS receives clarification from the federal awarding agency, appropriate monitoring will be done. If it is determined both entities are sub recipients, appropriate steps will be taken to ensure all parties are made aware of the required monitoring and audit requirements.

All compliance actions will be under the supervision of Ms. Tami Dufresne, Budget Chief.

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

Sincerely,



Steve H. Fisher  
Administrator

Cc: Shannon Ryan, Deputy Legislative Auditor, Legislative Counsel Bureau  
Richard Whitley, Interim Director DHHS  
Ellen Crecelius, DHHS Deputy Director, Fiscal Services  
Sue Smith, Deputy Administrator, Administrative Services  
Naomi Lewis, Deputy Administrator, Program/Field Operations  
Michaela Woodburn, ASO II, Accounting  
Jack Zenteno, Chief, Child Care  
Jeanne Gregg, Auditor III, PRE

**DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-026:

Block Grants for Community Mental Health Services, CFDA 93.958

- Grant Award Number:* Affects all grant awards included under CFDA 93.958 on the Schedule of Expenditures of Federal Awards.
- Criteria:* As noted in the *OMB Circular A-133 Compliance Supplement*, 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)).
- Condition and Context:* 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 Public and Behavioral Health Division 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.
- Questioned Costs:* Undetermined.
- Effect:* The State may have used more than the allowable five percent for administrative costs.
- Cause:* The Division did not have adequate procedures and controls in place to track and monitor the amounts expended for administrative costs to ensure compliance with the earmarking requirement.
- Recommendation:* We recommend that the Division enhance the procedures and controls to track and monitor the amounts expended for administrative costs to ensure compliance with the earmarking requirement.
- Management's Response:* See management's response on page 228.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-027:

Block Grants for Community Mental Health Services, CFDA 93.958

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.958 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Circular A-133 Compliance Supplement* requires that the State must provide for independent peer reviews that assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least five percent of the entities providing services in the State shall be reviewed annually. The entities reviewed shall be representative of the entities providing the services (42 USC 300x-53(a)).

*Condition and Context:* During our audit, we planned to test that the State provided for independent peer reviews for at least five percent of entities providing services in the State annually. In response to our request, the Division of Public and Behavioral Health was unable to provide support evidencing that the required reviews were performed.

*Questioned Costs:* None.

*Effect:* The State may not be performing the required reviews of entities providing treatment services to individuals.

*Cause:* The Division of Public and Behavioral Health did not have procedures in place to ensure the required reviews were performed.

*Recommendation:* We recommend that the Division implement procedures to ensure the review of five percent of the entities providing treatment services to individuals for the grant awards included under CFDA 93.958 is performed and documented on an annual basis.

*Management's Response:* See management's response on pages 228 and 229.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-028:

Block Grants for Community Mental Health Services, CFDA 93.958

*Grant Award Number:* Affects grant award 2B09SM010039-13 included under CFDA 93.958 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Circular A-133 Compliance Supplement* 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)).

*Condition and Context:* 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 both fiscal year 2013 and fiscal year 2014 was not complete. The spreadsheet did not include amounts from the Division of Child and Family Services for either year. Given that the spreadsheet was not complete, we were unable to test if the requirements were met.

*Questioned Costs:* None.

*Effect:* The State may not be in compliance with the maintenance of effort requirements.

*Cause:* 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 in a timely manner.

*Recommendation:* We recommend that the State enhance controls to ensure that documentation to support compliance with the maintenance of effort requirements is updated and maintained in a timely manner.

*Management's Response:* See management's response on page 229.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-029:

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

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.959 on the Schedule of Expenditures of Federal Awards.

*Criteria:* As noted in the *OMB Circular A-133 Compliance Supplement*, the State shall maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant (42 USC 300x-30).

*Condition and Context:* During our audit, we compared the amount of State expenditures related to the Prevention and Treatment of Substance Abuse Block Grant during fiscal year 2014 to the average State expenditures of the two prior years. We noted that fiscal year 2014 State expenditures totaled \$9,939,004, while the average of the two preceding fiscal years was calculated to be \$10,718,221. Therefore, the amount of fiscal year 2014 State expenditures was less than the required level of effort by \$779,217.

*Questioned costs:* None.

*Effect:* Substance abuse prevention and treatment services provided by the grants decreased in fiscal year 2014 from the previous two fiscal years.

*Cause:* The State did not have adequate controls and procedures in place to ensure compliance with this maintenance of effort requirement.

*Recommendation:* We recommend the State enhance controls and procedures to ensure compliance with the maintenance of effort requirement.

*Management's Response:* See management's response on page 231.



**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-030:

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

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.959 on the Schedule of Expenditures of Federal Awards.

*Criteria:* As noted in the *OMB Circular A-133 Compliance Supplement*, 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.

*Condition and Context:* 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 3B08TI010039-13, which ended September 30, 2014. We noted that, as of June 30, 2014, 100 percent of the federal award funds had been expended, and the schedule supported that only 19.71 percent had been used for primary prevention programs. Therefore, it appears the amount used for preventive programs was approximately 0.29 percent less than the 20 percent earmarking requirement.

*Questioned costs:* Of the total award amount of \$13,015,618 for award number 3B08TI010039-13, 0.29 percent represents approximately \$37,745.

*Effect:* The portion of the grant earmarked for primary prevention was used for activities other than primary prevention.

*Cause:* The Nevada Division of Public and Behavioral Health did not have adequate controls and procedures in place to ensure that not less than 20% of award funds were used for primary prevention programs for individuals who do not require treatment of substance abuse.

*Recommendation:* We recommend the Nevada Division of Public and Behavioral Health enhance controls and procedures to ensure that not less than 20% of award funds are used for primary prevention programs for individuals who do not require treatment of substance abuse.

*Management's Response:* See management's response on pages 231 and 232.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-031:

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557  
National Bioterrorism Hospital Preparedness Program (HPP), 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

*Grant Award Number:* Affects all grant awards included under CFDA 10.557, 93.889, 93.958, and 93.959 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain Federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward 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). It was noted that the required reporting for FFATA had not been performed for subawards and no evidence was available to support that efforts had been made to report such information.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure.

*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 229, 232, 233 and 244.

STATE OF NEVADA

**BRIAN SANDOVAL**  
*Governor*

**RICHARD WHITLEY, MS**  
*Interim 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 12, 2015

Wendy Pang  
Grants Management Specialist  
OFR/DGM/SAMHSA  
1 Choke Cherry Road, Room 7-1001  
Rockville, MD 20857

Dear Ms. Pang,

Eide Bailly, LLP performed an annual single audit of the Block Grants for Community Mental Health Services (CMHS), CFDA 93.958, active during the State of Nevada's fiscal year 2014 which ended June 30, 2014. Eide Bailly, LLP's findings 2014-026, 2014-027, 2014-028 and 2014-031 concern the Block Grants for Community Mental Health Services.

Finding 2014-026 resulted in the following recommendation:

We recommend that the Division enhance the procedures and controls 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 action as noted below.

Corrective Action for Finding 2014-026

The Nevada Division of Public and Behavioral Health will revise its policies and procedures to ensure that controls are in place to track and monitor collective administrative costs and that compliance with earmarking requirements is satisfied. Management Analyst III, James Kirkpatrick, will ensure the policies and procedures are implemented by April 1, 2015.

Finding 2014-027 resulted in the following recommendation:

We recommend the Division implement procedures to ensure the review of at least five percent of the entities providing treatment services to individuals for the grant awards included under CFDA 93.958 is performed and documented on an annual basis.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-027

The Nevada Division of Public and Behavioral Health will revise its policies and procedures regarding the requirement of independent peer reviews of at least five percent of the entities providing services in the State annually. Management Analyst III, James Kirkpatrick, will ensure the policies and procedures are implemented by April 1, 2015.

Finding 2014-028 resulted in the following recommendation:

We recommend that the State enhance controls to ensure that documentation to support compliance with the maintenance of effort requirements is updated and maintained in a timely manner.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-028

The Nevada Division of Public and Behavioral Health will revise its policies and procedures regarding maintenance of effort requirements. The revised policies will assign the responsibility of maintenance of effort calculations and monitoring to Management Analyst, James Kirkpatrick. The revised policies and procedures will be implemented by April 1, 2015.

Finding 2014-031 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure compliance with FFATA 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 action as noted below.

Corrective Action for Finding 2014-031

The Nevada Division of Public and Behavioral Health will revise its policies and procedures to ensure full compliance with FFATA reporting requirements. The revised policies will place the Division-wide responsibility of FFATA reporting in one position – Management Analyst III, Michele Silzell. The revised policies and procedures will be implemented by April 1, 2015.

Additional Comments:

The Nevada Division of Public and Behavioral Health is currently working on a realignment of all duties concerning grants management within the Division. This realignment will ensure compliance with all grant requirements and audit findings shall be met in a timely manner. The Division anticipates this realignment to be completed by June 30, 2015.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,



Marta Jensen  
Acting Administrator

cc: 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  
Mary Wherry, Deputy Administrator, Division of Public and Behavioral Health  
James Kirkpatrick, Management Analyst III, Division of Public and Behavioral Health  
Michele Silzell, Management Analyst III, Division of Public and Behavioral Health

STATE OF NEVADA

BRIAN SANDOVAL  
Governor

RICHARD WHITLEY, MS  
Interim Director



RICHARD WHITLEY, MS  
Administrator

TRACEY D. GREEN, MD  
Chief Medical Officer

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DIVISION OF PUBLIC AND BEHAVIORAL HEALTH**

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March 12, 2015

Theresa Mitchell-Hampton, DrPH, M.Ed.  
Public Health Advisor/State Project Officer for HHS Region VIII  
U.S. Department of Health and Human Services (DHHS)  
Center for Substance Abuse Treatment (CSAT)  
1 Choke Cherry Rd., Room 5-1102  
Rockville, MD 20857

Dear Ms. Mitchell-Hampton,

Eide Bailly, LLP 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 2014 which ended June 30, 2014. Eide Bailly, LLP's findings 2014-029 through 2014-031 concern the Block Grants for Prevention and Treatment of Substance Abuse.

Finding 2014-029 resulted in the following recommendation:

We recommend the State enhance controls and procedures to ensure compliance with the maintenance of effort requirement.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-029

The Nevada Division of Public and Behavioral Health will revise its policies and procedures regarding maintenance of effort requirements. The revised policies will assign the responsibility of maintenance of effort calculations and monitoring to Management Analyst III, James Kirkpatrick. The revised policies and procedures will be implemented by April 1, 2015.

Finding 2014-030 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health enhance controls and procedures to ensure that not less than 20 percent 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 strive to expend at least 20 percent of the Block Grant on primary prevention programs.

Corrective Action for Finding 2014-030

The Nevada Division of Public and Behavioral Health's policies and procedures will be revised to increase the allocation of budgeted expenditures for primary prevention programs to 22 percent to help ensure actual primary prevention expenditures will not be less than 20 percent of the awarded funds. Bureau Chief, Kevin Quint, will be responsible for implementing this change for the fiscal year beginning July 1, 2015.

Finding 2014-031 resulted in the following recommendation:

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

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-031

The Nevada Division of Public and Behavioral Health will revise its policies and procedures to ensure full compliance with FFATA reporting requirements. The revised policies will place the Division-wide responsibility of FFATA reporting in one position – Management Analyst III, Michele Silzell. The revised policies and procedures will be implemented by April 1, 2015.

Additional Comments:

The Nevada Division of Public and Behavioral Health is currently working on a realignment of all duties concerning grant management within our Division. This realignment will ensure compliance with all grant requirements and audit findings shall be met in a timely manner. The Division anticipates this realignment to be completed by June 30, 2015.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,



Marta Jensen  
Acting Administrator

cc: 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  
Merry Wherry, Deputy Administrator, Division of Public and Behavioral Health  
Kevin Quint, Bureau Chief, Division of Public and Behavioral Health



STATE OF NEVADA

**BRIAN SANDOVAL**  
*Governor*

**RICHARD WHITLEY, MS**  
*Interim 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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Telephone: (775) 684-4200 – Fax (775) 684-4211

March 12, 2015

Gloria Johnson-Lamar  
Financial Management Specialist  
United States Department of Agriculture  
Food and Nutrition Services  
Grants Management Section  
90 Seventh Street, Suite 10-100  
San Francisco, CA 94103

Dear Ms. Johnson-Lamar,

Eide Bailly LLP, CPA's 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 2014 which ended June 30, 2014. Eide Bailly LLP's finding 2014-031 concern the Women, Infants and Children Program.

Finding 2014-031 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure compliance with FFATA 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 action as listed below.

Corrective Action for Finding 2014-031

The Nevada Division of Public and Behavioral Health will revise its policies and procedures to ensure full compliance with FFATA reporting requirements. The revised policies will place the Division-wide responsibility of FFATA reporting in one position – Management Analyst III, Michele Silzell. The revised policies and procedures will be implemented by April 1, 2015.

Additional Comments:

The Nevada Division of Public and Behavioral Health is currently working on a realignment of all duties concerning grant management within the Division. This realignment will ensure compliance



with all grant requirements and audit findings shall be met in a timely manner. The Division anticipates this realignment to be completed by June 30, 2015.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,



Marta Jensen  
Acting Administrator

cc: 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  
Melanie Flores, Program Manager, Division of Public and Behavioral Health  
Amber Law, ASO III, Division of Public and Behavioral Health  
Michele Silzell, Management Analyst III, Division of Public and Behavioral Health

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-032:

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:* As noted in *OMB Circular A-133*, the pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

*Condition and Context:* The Nevada Division of Public and Behavioral Health received reimbursement requests and certifications from program subrecipients on a periodic basis to ensure subrecipients charged allowable costs and that subrecipients met the local match requirement.

During our audit procedures, we noted four subrecipients applicable to the program. During our review of subrecipient reimbursement requests and certifications, we noted one subrecipient was attempting to meet the match requirement with unallowable sources. The Nevada Division of Public and Behavioral Health did not monitor the requests and certifications to ensure matching contributions were met with allowable sources under the provisions of the grant agreement.

*Questioned Costs:* None.

*Effect:* Noncompliance at the subrecipient level was not detected or corrected by the Nevada Division of Public and Behavioral Health.

*Cause:* Adequate during-the-award monitoring procedures were not in place at the Nevada Division of Public and Behavioral Health to ensure that subrecipients' matching contributions for the National Bioterrorism Hospital Preparedness Program were from allowable sources.

*Recommendation:* We recommend that the Nevada Division of Public and Behavioral Health enhance during-the-award subrecipient monitoring procedures to ensure that subrecipients' matching contributions for the National Bioterrorism Hospital Preparedness Program were from allowable sources.

*Management's Response:* See management's response on pages 244 and 245.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-033:

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:* 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:* As part of our audit procedures, we noted that the Nevada Division of Public and Behavioral Health had four subrecipients for this program, representing approximately 68% of total Federal expenditures. The Nevada Division of Public and Behavior Health did not ensure required subrecipient audits were completed, monitor audit reports for findings, or issue management decisions, if applicable, for any of the subrecipients.

*Questioned Costs:* None.

*Effect:* Noncompliance at the subrecipient level may occur and not be corrected.

*Cause:* The Nevada Division of Public and Behavioral Health did not have procedures in place to ensure required subrecipient audits were completed, monitor audit reports, and issue timely management decisions, when required, to ensure appropriate corrective action.

*Recommendation:* We recommend the Nevada Division of Public and Behavioral Health implement procedures to ensure required subrecipient audits were completed, monitor audit reports, and issue timely management decisions, when required, to ensure appropriate corrective action.

*Management's Response:* See management's response on page 245.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-034:

National Bioterrorism Hospital Preparedness Program (HPP), 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 factors affecting the allowability of costs include that costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. Also per the compliance requirements, a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

In addition, the *OMB Circular A-133 Compliance Supplement* for the National Bioterrorism Hospital Preparedness Program (HPP) states the program objective is to enable eligible entities to improve surge capacity and capability and enhance community and hospital preparedness for public health emergencies. The primary focus of the HPP is to build medical surge capability through associated planning, personnel, equipment, training and exercise capabilities at the State and local levels.

*Condition and Context:*

A. As part of our testing over Allowable Activities and Costs, we tested 25 transactions for conformance with the criteria in the *OMB Circular A-87*. We noted that one transaction was for a monthly State of Nevada Billing Claim for email, which included charges for a temporary employee that had ceased employment with HPP five months prior to the charge.

B. Also included in the sample of 25 transactions were three State of Nevada Billing Claims where costs were allocated to the Division per employee. Several Nevada Division of Public and Behavioral Health employees work on multiple activities or Federal programs, including HPP. It was noted that a percentage of the costs were allocated to HPP using the user's pre-determined percent (budgeted) of time spent on HPP activities, not on the actual percentage of time spent on HPP activities during the billing period. Therefore, the services charged to the grant were not in accordance with the relative benefits received.

C. As part of our testing over Allowable Activities and Costs, we reviewed transfers to other State agencies. We noted that transfers were made to another State agency to provide for attendance at

immunization award ceremonies, including related travel costs, as well as costs for attendance at immunization health fairs and immunization meetings. These costs are not related to the objective of the program.

*Questioned Costs:* Known questioned costs of \$2,050. The questioned costs for the allocated charges identified in A above were undetermined, as employees may have worked more or less on HPP than the pre-determined allocation percentages.

*Effect:* Costs were charged to HPP that were not supported by program objectives. In addition, costs were allocated to HPP that may not have been in accordance with relative benefits received.

*Cause:* The controls were not adequate at the Nevada Division of Public and Behavioral Health to ensure that only costs related to activities for the performance and administration of the program were charged. In addition, procedures were not in place to ensure that goods or services charged to the grant were charged in accordance with relative benefits received.

*Recommendation:* We recommend that the Nevada Division of Public and Behavioral Health enhance procedures to ensure that only costs related to activities for the performance and administration of the program are charged. We also recommend that the Nevada Division of Public and Behavioral Health implement procedures to ensure that goods or services charged to the program are charged in accordance with relative benefits received.

*Management's Response:* See management's response on page 245.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-035:

National Bioterrorism Hospital Preparedness Program (HPP), 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 firsthand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

*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 two instances 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.

*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 246.



**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-036:

National Bioterrorism Hospital Preparedness Program (HPP), CFDA 93.889

*Grant Award Number:* Affects grant award #1U90TP000534-01 included under CFDA 93.889 on the Schedule of Expenditures of Federal Awards.

*Criteria:* As noted in *OMB Circular A-133*, recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency.

As noted in the cooperative agreement for grant award #1U90TP000534-01, the Federal Financial Report (FFR) should only include those funds authorized and disbursed during the timeframe covered by the report.

*Condition and Context:* During our audit procedures, we selected one of two FFRs submitted during the year for testing. It was noted that expenditures and indirect costs charged to the program after the reporting end date were included in the calculation of total expenditures (accrual basis). However, the cooperative agreement indicated a cash basis of accounting was required.

*Questioned Costs:* None.

*Effect:* The Federal Financial Report was not prepared in accordance with the terms and conditions of the cooperative agreement.

*Cause:* The Nevada Division of Public and Behavioral Health did not have adequate controls and procedures in place to ensure Federal Financial Reports were prepared in accordance with program requirements.

*Recommendation:* We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure Federal Financial Reports are prepared in accordance with program requirements.

*Management's Response:* See management's response on page 246.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-037:

National Bioterrorism Hospital Preparedness Program (HPP), 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-133 Compliance Supplement* states that the State must maintain expenditures for health care preparedness at a level that is not less than the average level of such expenditures maintained by the State for the preceding two year period.

*Condition and Context:* The Nevada Division of Public and Behavioral Health did not maintain proper documentation to monitor State expenditures for health care preparedness for the preceding two years. Therefore, we were unable to determine if the State was in compliance with this program requirement.

*Questioned Costs:* None.

*Effect:* The State may not be in compliance with the maintenance of effort requirement.

*Cause:* The Nevada Division of Public and Behavioral Health did not have adequate policies and procedures in place to monitor State expenditures for health care preparedness for the preceding two years to ensure compliance with the maintenance of effort requirement.

*Recommendation:* We recommend that the Nevada Division of Public and Behavioral Health implement policies and procedures to monitor State expenditures for health care preparedness for the preceding two years to ensure compliance with the maintenance of effort requirement.

*Management's Response:* See management's response on page 246.

STATE OF NEVADA

BRIAN SANDOVAL  
*Governor*

RICHARD WHITLEY, MS  
*Interim 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 12, 2015

LaQuanda Lewis, MPH  
Grants Management Specialist  
Center for Disease Control and Prevention  
Procurement and Grants Office  
OD, Environmental, Occupational Health and Injury Prevention Branch  
2920 Brandywine Rd. MS K-69  
Atlanta, GA 30341

Dear Ms. Lewis,

Eide Bailly, LLP 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 2014 which ended June 30, 2014. Eide Bailly, LLP's findings 2014-031 through 2014-037 concern the National Bioterrorism Hospital Preparedness Program.

Finding 2014-031 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure compliance with FFATA 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 action as noted below.

Corrective Action for Finding 2014-031

The Nevada Division of Public and Behavioral Health will revise its policies and procedures to ensure full compliance with FFATA reporting requirements. The revised policies will place the Division-wide responsibility of FFATA reporting in one position – Management Analyst III, Michele Silzell. The revised policies and procedures will be implemented by April 1, 2015.

Finding 2014-032 resulted in the following recommendation:

We recommend that the Nevada Division of Public and Behavioral Health enhance during-the-award subrecipient monitoring procedures to ensure that subrecipients' matching contributions for the National Bioterrorism Hospital Preparedness Program were from allowable sources.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-032

The Nevada Division of Public and Behavioral Health will provide information regarding allowable and unallowable sources of required matching contributions to staff and subrecipients to ensure that only allowable sources of contributions are used to meet grant requirements. Health Program Manager II, Erin Seward, will ensure procedure is implemented.

Finding 2014-033 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement procedures to ensure required subrecipient audits were completed, monitor audit reports and issue timely management decisions, when required, to ensure appropriate corrective action.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-033

The Nevada Division of Public and Behavioral Health will revise its policies and procedures regarding required audits of grant subrecipients. Monitoring grant subrecipients for required audits and follow-up on findings and management decisions Division-wide will be the responsibility of one position – Management Analyst III, Michele Silzell. The revised policies and procedures will be implemented by April 1, 2015.

Finding 2014-034 resulted in the following recommendation:

We recommend that the Nevada Division of Public and Behavioral Health enhance procedures to ensure that only costs related to activities for the performance and administration of the program are charged. We also recommend that the Nevada Division of Public and Behavioral Health implement procedures to ensure that goods or services charged to the program are charged in accordance with relative benefits received.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-034

The Nevada Division of Public and Behavioral Health will enhance our current policies and procedures to ensure that only costs related to activities for the performance and administration of the program are charged. We will also implement procedures to ensure that goods or services charged to the program are charged in accordance with relative benefits received. Current procedures will be reevaluated Management Analyst IV, Richard Jacobs, and Health Program Manager II, Erin Seward, and will be completed no later than April 1, 2015.

Finding 2014-035 resulted in the following 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.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-035

The Nevada Division of Public and Behavioral Health currently has procedures in place to ensure the proper time and effort allocations are placed within the employees time cards. The two instances that pertain to this audit finding are from an employee within a budget that is not overseen by our Health Program Manager II, Erin Seward. Training will be given to the Supervisor of this employee to ensure that the correct allocation of time is displayed within the employee's time card. The training will be completed no later than March 31, 2015.

Finding 2014-036 resulted in the following recommendation:

We recommend the Nevada Division of Public and Behavioral Health implement controls and procedures to ensure Federal Financial Reports are prepared in accordance with program requirements.

Nevada Division of Public and Behavioral Health Response:

The Nevada Division of Public and Behavioral Health understands this finding and will take the action noted below.

Corrective Action for Finding 2014-036

The Nevada Division of Public and Behavioral Health will contact federal Grants Management Analyst, LaQuanda Lewis, MPH, for clarification as to the proper accounting and reporting for this grant, as it appears to be in conflict with accepted practice.

Finding 2014-037 resulted in the following recommendation:

We recommend that the Nevada Division of Public and Behavioral Health implement policies and procedures to monitor State expenditures for health care preparedness for the preceding two years to ensure compliance with the maintenance or effort requirement.

Nevada Division of Public and Behavioral Health Response:

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

Corrective Action for Finding 2014-037

The Nevada Division of Public and Behavioral Health will better communicate with appropriate staff regarding its policies and procedures relating to maintenance of effort requirements. Health Program Manager II, Erin Seward, will ensure this communication is completed.

Additional Comments:

The Nevada Division of Public and Behavioral Health is currently working on a realignment of all duties concerning grant management within our Division. This realignment will ensure compliance with all grant requirements and audit findings shall be met in a timely manner. The Division anticipates this realignment to be completed by June 30, 2015.

If you have any questions, please contact Mark Winebarger, Administrative Services Officer IV at 775-684-4262 or by email at [mwine@health.nv.gov](mailto:mwine@health.nv.gov).

Sincerely,



Marta Jensen  
Acting Administrator

cc: 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

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-038:

Adoption Assistance – Title IV-E, CFDA 93.659

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

*Criteria:* The *OMB Circular A-133 Compliance Supplement* provides that prospective adoptive parent(s) must satisfactorily have met a criminal records check, including a fingerprint-based check (42 USC 671(a)(20)(A)). Additionally, prospective adoptive parent(s) and any other adult living in the home who has resided in the provider home in the preceding five years must satisfactorily have met a child abuse and neglect registry check.

*Condition and Context:* As part of our testing over eligibility, we examined a sample of six Adoption Assistance cases to ensure that eligibility determinations were supported by required documentation. We noted one case file did not include documentation to support compliance with the background and abuse checks noted above. Therefore, we were unable to determine that the background and child abuse checks were performed.

*Questioned Costs:* \$2,707

*Effect:* Payments may have been made to individuals who were not eligible to receive such payments.

*Cause:* The Nevada Division of Child and Family Services did not have adequate controls and procedures in place to ensure that the required background and abuse checks for all prospective adoptive parents were performed.

*Recommendation:* We recommend the Nevada Division of Child and Family Services enhance controls and procedures to ensure that the required background and abuse checks for all prospective adoptive parents are performed.

*Management's Response:* See management's response on pages 260 and 261.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-039:

Foster Care – Title IV-E, CFDA 93.658

<i>Grant Award Number:</i>	Affects grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> provides that funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21, to individuals serving as foster family homes, to child-care institutions, or to public or private child-placement or child-care agencies.
<i>Condition and Context:</i>	As part of our testing over Foster Care maintenance payments, we tested 40 foster care providers who received maintenance payments during the year. We noted that four of those 40 foster care providers received at least one day of duplicate payments during the year (seven days in total). Therefore, these providers were paid twice for the same day of service.
<i>Questioned Costs:</i>	Undetermined.
<i>Effect:</i>	Unallowable costs could be charged to the Federal program.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not have adequate controls in place to ensure that foster care providers did not receive duplicate payments.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services enhance internal controls to ensure foster care providers do not receive duplicate payments.
<i>Management's Response:</i>	See management's response on page 261.



**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-040:

Foster Care - Title IV-E, CFDA 93.658

<i>Grant Award Number:</i>	Affects grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)).
<i>Condition and Context:</i>	As part of our testing over maintenance payment rates, we noted there were no policies or procedures included in the State's IV-E plan to provide for the periodic review of maintenance payment rates at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Maintenance payment rates may not be appropriate for the administration of the program.
<i>Cause:</i>	The Nevada Division of Child and Family Services did not develop policies and procedures to provide for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program.
<i>Recommendation:</i>	We recommend the Nevada Division of Child and Family Services develop policies and procedures to provide for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program.
<i>Management's Response:</i>	See management's response on page 261.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-041:

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

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

*Criteria:* The *OMB Circular A-133 Compliance Supplement* provides that a State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. Since cost allocation plans are of a narrative nature, the Federal government needs assurance that the cost allocation plan has been implemented as approved.

*Condition and Context:* We selected the quarter ended March 31, 2014 as part of our testing over the Nevada Division of Child and Family Services' cost allocation plan. During this testing, we examined the cost information and allocation statistics used in the report. However, we were unable to verify that the cost information was allocated using the appropriate allocation statistics in accordance with the approved cost allocation plan.

*Questioned Costs:* Undetermined.

*Effect:* Costs may not be allocated in accordance with the approved cost allocation plan.

*Cause:* The Nevada Division of Child and Family Services did not have adequate procedures in place to monitor the accuracy of the cost allocation plan to ensure it had been implemented as approved.

*Recommendation:* We recommend the Nevada Division of Child and Family Services enhance procedures in place to monitor the accuracy of the cost allocation plan to ensure it has been implemented as approved.

*Management's Response:* See management's response on page 262.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-042:

Chafee Foster Care Independence Program, CFDA 93.674

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Circular A-133 Compliance Supplement* states: pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standard of timing and amount as apply to the pass-through entity.

Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project (2 CFR section 215.22).

*Condition and Context:* As part of our audit procedures, we examined a sample of 16 payments to subrecipients. In one instance, \$45,000 was advanced for approximately six months of program costs. In another instance, \$5,000 was advanced for approximately three months of program costs. In both instances, the time elapsing between the transfer of funds from the State and disbursement by the subrecipient was not minimized and did not appear to be for immediate cash requirements.

*Questioned Costs:* None.

*Effect:* Funds were drawn down on the federal award by the State prior to the subrecipient actually needing those funds.

*Cause:* The Nevada Division of Child and Family Services did not have adequate controls in place to ensure that subrecipients minimize the amount of time elapsing between the transfer of funds from the State and disbursement by the subrecipient.

*Recommendation:* We recommend the Nevada Division of Child and Family Services enhance controls to ensure that subrecipients minimize the amount of time elapsing between the transfer of funds from the State and disbursement by the subrecipient.

*Management's Response:* See management's response on page 262.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-043:

Chafee Foster Care Independence Program, CFDA 93.674

*Grant Award Number:* Affects grant award #G-1201NV1420 included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The *OMB Circular A-133 Compliance Supplement* states that where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

When an obligation occurs depends on the type of property or services that the obligation is for. If the obligation is for personal services by an employee of the State or subgrantee, the obligation is made when the services are performed (34 CFR section 76.707).

*Condition and Context:* As part of our audit procedures, we noted the State received funds that it was not entitled to. A payment was made to a subrecipient in December 2013 using Federal funds from the Federal fiscal year 2012 grant, which had a funding period end of September 30, 2013. This payment was an advance for services over the following six months and not related to services that occurred prior to September 30, 2013. Therefore, the obligation date was not within the funding period specified by the grant award.

*Questioned Costs:* \$45,000.

*Effect:* The State may be required to repay these funds at a later date.

*Cause:* The Nevada Division of Child and Family Services did not have adequate controls and procedures in place to ensure that disbursements were obligated within the period of availability of the grant funds.

*Recommendation:* We recommend the Nevada Division of Child and Family Services enhance controls and procedures to ensure disbursements are obligated within the period of availability of the grant funds.

*Management's Response:* See management's response on pages 262 and 263.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-044:

Chafee Foster Care Independence Program, CFDA 93.674

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards.

*Criteria:* The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients (prime awardees) of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subaward 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 two of seven first-tier subawards exceeding \$25,000 that were funded under the Federal Assistance Identification Number (FAIN) 1301NV1420. One of the subawards selected for testing had an obligation date of October 16, 2013. The obligation information was reported in the FFATA Subaward Reporting System (FSRS). However, the obligation information was not reported until December 16, 2013, which is after the required submission date of November 30, 2013. This subaward selected for testing also had two amendments exceeding \$25,000. It was noted that the required reporting for FFATA had not been performed for these amendments. In addition, we noted that the required FFATA reporting had not been performed for the other subaward selected for testing and no evidence was available to support that efforts had been made to report such information.

*Questioned Costs:* None.

*Effect:* Subaward data was not available for public disclosure in an accurate or timely manner.

*Cause:* The Nevada Division of Child and Family Services did not have adequate controls and procedures in place to ensure compliance with FFATA reporting requirements.

*Recommendation:* We recommend the Nevada Division of Child and Family Services implement controls and procedures to ensure compliance with FFATA reporting requirements.

*Management's Response:* See management's response on pages 263 and 264.

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-045:

Chafee Foster Care Independence Program, CFDA 93.674

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards.

*Criteria:* As noted in *OMB Circular A-133*, a pass-through entity is responsible for advising subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

*Condition and Context:* As part of our testing over subrecipient monitoring, we tested a sample of subawards made during the year to two of the program's 14 subrecipients for communication of required information. We noted that one of the subawards did not include the attachment that indicated the additional requirements agreed to by the subrecipient in receiving funds pursuant to the subaward.

*Questioned Costs:* None.

*Effect:* Subrecipients may be unaware of specific requirements, which could result in noncompliance at the subrecipient level.

*Cause:* The Nevada Division of Child and Family Services did not have adequate controls in place to ensure subawards contained all of the requirements imposed on the subrecipient.

*Recommendation:* We recommend the Nevada Division of Child and Family Services enhance controls in place to ensure subawards contain all of the requirements imposed on the subrecipient.

*Management's Response:* See management's response on page 264.



**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:**

Finding 2014-046:

Chafee Foster Care Independence Program, CFDA 93.674

*Grant Award Number:* Potentially affects all grant awards included under CFDA 93.674 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 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.

As part of our audit procedures, we selected three of 14 subrecipients to test. Of this sample, evidence of receipt and review of the audit report was present for two of the subrecipients. The third subrecipient selected for testing did not receive an on-site monitoring review during fiscal year 2014, and there was no documentation available to support that the Division of Child and Family Services ensured an audit was completed, monitored the audit report for findings, or issued management decisions, if applicable.

*Questioned Costs:* None.

*Effect:* Noncompliance at the subrecipient level may occur and not be corrected.

*Cause:* The Nevada Division of Child and Family Services did not have adequate procedures in place to ensure that staff receive and monitor subrecipient audits in the interim years between on-site monitoring reviews.

*Recommendation:* We recommend the Nevada Division of Child and Family Services enhance procedures to ensure that staff receive and monitor subrecipient audits in the interim years between on-site monitoring reviews.

*Management's Response:* See management's response on page 264.



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF CHILD AND FAMILY SERVICES  
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March 11, 2015

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 Eide Bailly LLP, 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, 2014. The audit findings pertain to the Federal Title IV-E Programs and Chafee Program listed below:

Foster Care – CFDA 93.658  
Adoption Assistance – CFDA 93.659  
Chafee Foster Care – CFDA 93.674

Eide Bailly, LLP audit findings 2014-038 through 2013-041 concern these Federal Title IV-E programs. Audit findings 2014-042 through 2014-046 concern the Chafee Foster Care program. This letter serves as our response to the findings and recommendations:

**Finding 2014-038 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance controls and procedures to ensure that documentation to support the required background and abuse checks for all prospective adoptive parents are maintained.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. The auditor examined a sample of six Adoption Assistance cases to ensure that eligibility determinations were supported by required documentation. It was noted that one case file did not include documentation to support compliance with the background and abuse checks required for prospective adoptive parents that includes a fingerprint-based check.

**Corrective Action:**

The Division of Child and Family Services already has in place an Adoption Assistance Program Checklist that has been revised and implemented to ensure that, in cases where the adoptive parents are

related to the child being adopted within the third degree of consanguinity, the court has issued an order waiving the investigation and report (NRS 127.120.2).

Due to the case not being eligible for Title IV-E Adoption Subsidy payments, the eligibility will be corrected and the payments will be adjusted so that Title IV-E is not claimed.

**Finding 2014-039 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance internal controls to ensure foster care providers do not receive duplicate payments.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. The auditor reviewed 40 foster care providers who received maintenance payments during the year. The auditor noted that four of those 40 foster care providers received at least one day of duplicate payments during the year (seven days in total). Therefore, these providers were paid twice for the same day of service.

**Corrective Action:**

The Eligibility Unit will provide training to the staff in the Rural Region regarding entering Service Authorizations into the UNITY/SACWIS system. This training is meant to familiarize staff with the process and help to ensure overlapping dates are not entered.

Eligibility will research each Service Authorization prior to approving Fiscal Assignments in UNITY. The intent of this review is to ensure that this last option for identifying duplicate payments prior to their release is completed.

There have been adjustments done to each of the cases to reverse the Title IV-E Foster Care Maintenance payment and apply the entire payment to the State General Fund. Collection efforts are being done for the duplicate payments.

**Finding 2014-040 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services implement policies and procedures to provide for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. As part of the testing over maintenance payment rates, the auditor noted that there were no policies or procedures included in the State's IV-E plan to provide for the periodic review of maintenance payment rates in accordance with 42 USC 671(a)(11).

**Corrective Action:**

The Division of Child and Family Services has identified Tab 39 – Foster Care Maintenance Payments in the Nevada Title IV-E Plan (2009) that will be revised to address the need to review maintenance payments at a reasonable, specific, time-limited period to ensure the appropriateness of the rate. The rates on the Nevada Division of Child and Family Services website will be updated to reflect the new effective date of the rates after this review has been completed.

**Finding 2014-041 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance procedures in place to maintain supporting documentation to ensure the cost allocation plan has been implemented as approved.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. The auditors reviewed the quarter ending March 31, 2014 as part of their testing over the Nevada Division of Child and Family Services' cost allocation plan. During this testing, the auditor examined the cost information and allocation statistics used in the report. However, they were unable to verify that the cost information was allocation using the appropriate allocation statistics in accordance with the approved cost allocation plan. Supporting documentation was not available to allow for the recalculation of various steps of the cost allocation; therefore, the auditors were not able to provide assurance that the cost allocation plan had been implemented as approved.

**Corrective Action:**

The Division of Child and Family Services will revise procedures for completing the Cost Allocation Methodology that include the review of the documentation used to determine what the allocation statistics are during each quarter. In addition, the procedure will include a review of the results of processing cost allocation, identification of problems and what to do to resolve them.

**Finding 2014-042 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance controls to ensure that subrecipients minimize the amount of time elapsing between the transfer of funds from the State and disbursement by the subrecipient.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. As part of the auditor's procedures, a sample of 16 payments to subrecipients was examined. In one instance, \$45,000 was advanced for approximately six months of program costs. In another instance, \$5,000 was advanced for approximately three months of program costs. In both instances, the time elapsing between the transfer of funds from the State and disbursement by the subrecipient was not minimized and did not appear to be for immediate cash requirements.

**Corrective Action:**

The Division of Child and Family Services will enhance procedures and controls to comply with the Monthly Financial Status and Request for Funds Report requirements identified in the Grants Management Unit's Technical Guidelines Section 200. Additionally, language within the Technical Guidelines will be expanded to clarify the precise situations in which subrecipients will be permitted to receive funding advances and the appropriate time frame for liquidating advances for immediate programmatic needs. The Grants and Project Analysts in the Grants Management Unit are required to read and initial an acknowledgment form stating that they agree to abide by all policies and processes outlined in the Technical Guidelines.

**Finding 2014-043 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance controls and procedures to ensure disbursements are obligated within the period of availability of the grant funds.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. It was noted that a payment was made to a subrecipient in December 2013 using federal funds from the federal fiscal year 2012 grant, which had a funding period end of September 30, 2013. This payment was an advance for services over the following six months and not related to services that occurred prior to September 30, 2013. Therefore, the obligation date was not within the funding period specified by the grant award.

**Corrective Action:**

The Grants Manual Technical Guideline #100 includes an instruction page entitled “Basic Accounting Requirements” which addresses the funding of subgrantees and the timing of obligation and liquidation. This section will be updated to reflect a clearer and more precise understanding that obligation and subsequent liquidation of funds must be done in accordance with accounting principles.

**Finding 2014-044 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services implement controls and procedures to ensure compliance with FFATA reporting requirements.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. The auditor tested two of seven first-tier subawards exceeding \$25,000 that were funded under the Federal Assistance Identification Number (FAIN) 1301NV1420. One of the subawards selected for testing had an obligation date of October 16, 2013. The obligation information was reported in the FFATA Subaward Reporting System (FSRS). However, the obligation information was not reported until December 16, 2013, which is after the required submission date of November 30, 2013. This subaward selected for testing also had two amendments exceeding \$25,000. It was noted that the required reporting of FFATA had not been performed for these amendments. In addition, the auditors noted that the required FFATA reporting had not been performed for the other subaward selected for testing and no evidence was available to support that efforts had been made to report such information.

**Corrective Action:**

The Division of Child and Family Services, Grants Management Unit (GMU) has added to the Operating Technical Guidelines, new Section #403: Federal Reporting – Federal Funding Accountability and Transparency Act (FFATA) and Federal Subaward Reporting System (FSRS). Within this new section of mandated actions by GMU staff, is outlined the Federal Reporting Process which includes the required time frames and amounts. This also includes the requirement for amendments to subrecipients that are equal to or exceed \$25,000 to also be reported. Grants and Projects Analysts (GPAs) are required to read and initial an acknowledgment form stating that they agree to abide by all policies and processes outlined in the Technical Guidelines.

The Division of Child and Family Services, Grants Management Unit Operating Technical Guidelines Section 400: Grants and Projects Analyst Duties and Processes will be reviewed and updated to include a section that outlines again the federal and internal reporting requirements. GPAs are required to read and initial acknowledging that they have read and agree to abide by all policies and processes outlined in the Technical Guidelines.

Additionally, once the GPA has completed the required report in FSRS, they will update the internal “DCFS GMU FFATA Reporting Log”. The two will be periodically reconciled as an additional means of ensuring required reports have been made.

A checklist will be developed that will acknowledge that all required file elements, reports, audits, etc. have been reviewed, updated and included in the file as appropriate.

**Finding 2014-045 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance controls in place to ensure subawards contain all of the requirements imposed on the subrecipient.

**DCFS Response:**

The Division of Child and Family Services has reviewed and accepts this finding. As part of the auditor's review of subrecipient monitoring, a sample of two of 13 subawards made during the year were reviewed for communication of required information. It was noted that one of the subawards did not include the attachment that indicated the additional requirements agreed to by the subrecipient in receiving funds pursuant to the subaward.

**Corrective Action:**

The Division of Child and Family Services will enhance procedures and controls to comply with the Notice of Grant Award (NOGA) and Notice of Sub Grant Award (NOSA) Completion requirements identified in the Grants Management Unit's Technical Guidelines Section 105. GPAs are required to read and initial acknowledging that they have read and agree to abide by all policies and processes outlined in the Technical Guidelines.

The appropriate documentation has been sent to the subgrantee for signature and inclusion in their grant file. Grants Manual Technical Guideline #100 contains a section that requires assurances and certifications for specific subgrantees. A checklist will be developed that will acknowledge that all required file elements which include the Assurances and Certification documents, reports, audits, etc. have been reviewed, updated and included in the file as appropriate.

**Finding 2014-046 resulted in the following recommendation:**

We recommend the Nevada Division of Child and Family Services enhance procedures to ensure that 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 auditors reviewed three of 14 subrecipients. Of this sample, evidence of receipt and review of the audit report was present for two of the subrecipients. The third subrecipient selected for testing did not receive an on-site monitoring review during fiscal year 2014, and there was no documentation available to support that the Division of Child and Family Services ensured an audit was completed, if required.

**Corrective Action:**

The Division of Child and Family Services will enhance procedures and controls to comply with the On-Site Review requirements identified in the Grants Management Unit's Technical Guidelines Section 300. Grants and Projects Analysts are required to read and initial an acknowledgment form stating that they agree to abide by all policies and processes outlined in the Technical Guidelines.

The subject of subrecipient audits will also be discussed with contracted onsite reviewers.

Eide Bailly LLP  
March 11, 2015  
Page 6 of 6

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](mailto:pcolegrove@dcfs.nv.gov).

Sincerely,

  
Amber Howell, Administrator

cc: Daniel Rushin, CPA, Eide Bailly LLP  
Richard Whitley, Interim, 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  
Betsey Crumrine, Rural Region Manager, Division of Child and Family Services  
Dorothy Edwards, Clinical Program Planner II, Division of Child and Family Services  
Internal Auditor File, Division of Child and Family Services





OFFICE OF THE  
STATE CONTROLLER

October 17, 2014

Eide Bailly LLP  
5441 Kietzke Ln., Ste. 150  
Reno, NV 89511

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, 2014.

**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, 5<sup>th</sup> 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: Since implementation of the new Unemployment Benefits system (UInV), documents are now generated with a barcode. When these documents are returned, they are scanned into UInV and indexed based on the barcode which is directly associated to the claimant's ID. Additionally, if a document is received by the division which does not have a bar code, the document is manually indexed to the claimant's ID. When the user is associating documents to an audit, only images which are indexed to that particular claimant ID can be included. And in addition to the 100% supervisory review as previously noted, BAM has developed and instituted a checklist to ensure all required components of the investigation are included in the file.

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[www.controller.nv.gov](http://www.controller.nv.gov)

Due to the implementation of our new UI computer system (UInV) in September of 2013, the NDNH cross-match was not working as required. The defect in the system was corrected in April of 2014 and has been working properly since then. A cross-match was done retroactively on September 19, 2014 that included most of the 11 missing cases and a final retroactive cross-match is being planned to obtain the remaining cases, if needed.

From the above paragraph and the actions taken, shows that DETR staff was aware of the problem, performed the needed steps to correct the problem (as part of a new system implementation) and did correct the problem in a timely manner.

In specific reference to Finding #12-6, DETR provided additional documentation to the Regional DOL program representative on November 22, 2013 and the DOL representative responded on January 10, 2014 that she was fully satisfied with the associated documentation submitted.

Finding Status: Not 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.

DETR provided additional documentation to the Regional DOL program representative on November 22, 2013 and the DOL representative responded on January 10, 2014 that she was fully satisfied with the associated documentation submitted

**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:** DETR has been performing continuous corrective actions related to this finding since it was reported. To date, the universe file of State Fiscal Year 2014 was reviewed for actual time coding by position number and by program in comparison to the existing assigned default coding to determine accuracy. The results were presented to program management to verify that each position would continue performing activities consistent with the coding identified in the data set for the upcoming fiscal year and the default coding was adjusted where necessary.

**Finding Status:** 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.

The error that occurred during the FY14 audit was related to a change in the reporting mechanism from the past paper Single Audit Reporting Forms (SARF) to the Schedule of Federal Expenditure (SEFA) Certification. DCFS was not clear on the requirements of this new reporting format. DCFS has since received training from the Controller's Office on how to report pass-through amounts. The paper Single Audit Reporting Forms have been submitted to the Controller's Office and will be used, if necessary, as the reporting format if the pass-through amounts are not accurately reported on the SEFA. Documentation and training will also be provided to all staff responsible for verification of the SEFA or completion of the SARF.

**Finding Status:** Partially 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: Corrected.

**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. 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: 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 I. 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: Due to the inability of the CNP System to accurately process claim adjustments, some FNS-10 reports were not generated with the correct data. This issue has been resolved by the Food & Nutrition Division's IT Professional 4. Also, a schedule of review has also been implemented to allow for adequate time for data corrections within the USDA system.

Finding Status: Partially 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:** This was submitted late, mostly due to a transition in job duties. We should be able to make all future deadlines.

**Finding Status:** Not 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:** The Department is in the process of revising our procedures as outlined in our original corrective action. The Department has been working with our federal partners at FHWA to ensure that the revised procedures will meet the requirements of the Davis Bacon Act.

**Finding Status:** Partially 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:** The District Engineers and Construction Engineers 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.

The construction division is aware of the repeated audit findings and is in the process of evaluating its procedures and training to avoid future findings.

**Finding Status:** Not 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:** Corrected.

**Finding 2013-001:**

**Program:** 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

**Finding Summary:** 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.

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.

**State'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 missing and believe this to be an anomaly for both Departments.

The Nevada Department of Agriculture has always required that all cash draws 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 requires 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 Status: Corrected.

**Finding 2013-002:**

Program: 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

Finding Summary: 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.

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.

State's Response: Due to the inability of the CNP System to accurately process claim adjustments, some FNS-10 reports were not generated with the correct data. This issue has been resolved by the Food & Nutrition Division's IT Professional 4. Also, a schedule of review has also been implemented to allow for adequate time for data corrections within the USDA system.

Finding Status: Partially corrected.

**Finding 2013-003:**

Program: 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

Finding Summary: 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 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.

State's Response: The Nevada Department of Agriculture has permanently assigned a position to report subaward obligations in compliance with FFATA reporting requirements. All reports are also reviewed by our Child Nutrition Federal Grant Coordinator to ensure accuracy of the reports after they are prepared and before they are submitted.

Finding Status: Corrected.

**Finding 2013-004:**

Program: 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

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

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by individuals who administer the

various Federal award programs. The pertinent information is provided using a State developed form entitled Single Audit Reporting Form (SARF).

During our testing and reconciliation of the SARFs to the 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.

**State's Response:** This was submitted late, mostly due to a transition in job duties. We should be able to make all future deadlines.

**Finding Status:** Not corrected.

**Finding 2013-005:**

**Program:** Department of Health and Human Services, Division of Public and Behavioral Health Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), SFDA 10.557

**Finding Summary:** 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 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.

**State's Response:** Policies and procedures are currently being 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 monitors 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 once each quarter. The WIC Program Manager is responsible for this policy.

**Finding Status:** Not corrected.

**Finding 2013-006:**

Program: Department of Health and Human Services, Division of Public and Behavioral Health  
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),  
SFDA 10.557

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, State agencies administering the WIC Program must establish an ongoing management valuation 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)).  
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.

State's Response: The Nevada Division of Public and Behavioral Health has revised its procedures to ensure that financial management system reviews are conducted at least once every two years for each subrecipient. These revised procedures include provision that 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.

Finding Status: Corrected.

**Finding 2013-007:**

Program: Department of Education  
Minerals Leasing Act, CFDA 15.437

**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 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.

**State's Response:** The Department will implement enhanced controls, review and reconciliation procedures to properly record and report funds received under CFDA numbers 15.227 and 15.437.

**Finding Status:** Not corrected.

**Finding 2013-008:**

**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, 5<sup>th</sup> 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.

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.



**State'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 2013, 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.

Based on the above, Finding 2013-08 was similar to a previous finding but involved differing documentation entirely. DETR updated its procedures and since this finding did not involve any missing Occupational Code source documentation as before, it would appear that the corrective actions taken by the Department, did work, at least partially.

On January 22, 2015, pursuant to DOL's request, DETR also provided copies of the checklists being used for ensuring that required documents are included in the BAM investigation case files.

**Finding Status:** Not corrected.

**Finding 2013-009:**

**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 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.

**State's Response:** 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 Status: Corrected.

**Finding 2013-010:**

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 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.

State's Response: 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 Status: Corrected.

**Finding 2013-011:**

Program: Department of Employment, Training and Rehabilitation  
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

**Finding Summary:** 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).

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.

**State's Response:** DETR is incorporating, 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.

On January 22, 2015, pursuant to DOL's request, DETR provided copies of DETR's revised FFATA procedures and related controls. Additionally, staff involved in the FFATA reporting are instituting "alerts" for new contracts so that new items can be timely identified for reporting purposes.

**Finding Status:** Not corrected.

**Finding 2013-012:**

**Program:** Department of Employment, Training and Rehabilitation  
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

**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 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.

State's Response:

Updates to the "*other reason for exit*" codes were corrected in version 6.3 of OSOS, which Nevada implemented as of June 29, 2014. In addition, Nevada DETR updated the *wage call process* from Nevada contributions' wages to OSOS so that wages will be updated for a period of 12 quarters rather than 4 in July 2014. However, still outstanding is the same correction in the new UI system and NJCOS interface which is scheduled to occur sometime in 2015.

On January 22, 2015, DETR did report the following to DOL:

DETR's updated response concerning wage data and OSOS coding issues:

- 1) OSOS has outstanding WIASRD fixes due to be corrected in the next version of OSOS (ETA March 2015),

- 2) UINV has not completed the conversion of legacy wage data to the new UINV system. Until that work is complete, OSOS continues to receive wage data from the old contributions Legacy system. Post implementation of the wage conversion in UINV, OSOS ISA Support will request the wages from UINV and duplication issues should be resolved as UINV will automatically correct the incorrect duplicate wage records.

Finding Status: Not corrected.

**Finding 2013-013:**

Program: Department of Employment, Training and Rehabilitation  
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

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 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.

State's Response: DETR had contracted out with fiscal consultants to monitor the two local workforce investment boards but, due to a number of factors this did not operate as intended, these contractual arrangements are being cancelled and DETR staff have now taken over the Board monitoring function again. DETR staff is developing written policies and procedures to ensure compliance with this requirement. A tracking mechanism is also being developed to address the timely handling of the A-133 audits. As a result, this finding should be corrected going forward.

Finding Status: Not corrected.

**Finding 2013-014:**

Program: Department of Employment, Training and Rehabilitation  
Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA  
84.126

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 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 95percent 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.

State's Response: DETR has been performing continuous corrective actions related to this finding since it was reported. To date, the universe file of State Fiscal Year 2014 was reviewed for actual time coding by position number and by program in comparison to the existing assigned default coding to determine accuracy. The results were presented to program management to verify that each position would continue performing activities consistent with the coding identified in the data set for the upcoming fiscal year and the default coding was adjusted where necessary.

Finding Status: Corrected.

**Finding 2013-015:**

Program: Department of Employment, Training and Rehabilitation  
Rehabilitation Services\_Vocational Rehabilitation Grants to States, CFDA  
84.126

Finding Summary: *The OMB Circular A-133 Compliance Supplement* requires that the State Vocational Rehabilitation agency must determine whether an individual is eligible for services within a reasonable time, not to exceed 60 days, after an individual has submitted an application for services unless:

- a. Exceptional and unforeseen circumstances beyond the control of the State agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or

- b. The State agency is exploring an individual's abilities, capabilities and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from services.

As part of our testing, 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.

**State's Response:** Eligibility determinations are made by rehabilitation counselors. The rehabilitation technicians provide assistance with gathering required medical reports and documentation and they will also assist the counselor with tracking the 60 day eligibility time frame.

To ensure that eligibility determinations are made within the federally required timeframe, training was provided statewide to counselors and technicians. This training/discussion was provided in the northern district office on May 14, 2014 and it was led by the Vocational Rehabilitation (VR) Division, Bureau Chief. Thirty VR employees attended. In the southern district office this training/discussion was held on June 3, 2014 and the training was provided by the VR District Manager and the VR Deputy Administrator. Twenty eight employees attended this meeting.

The training/discussion began with an explanation of what results were found during the recent Single Audit conducted by Kafoury Armstrong. Information was presented regarding guidelines for approved eligibility criteria, expectation for timeframes and procedures for eligibility extensions. Strategies for compliance were proposed and discussed among each group and best practices were recommended for implementation. These included: Employees will utilize aging reports in RAISON for tracking dates, and counselors and/or technicians will utilize prompting tools or tasks due on Outlook to check cases nearing the 60 day time frame. Supervisors will also use agency reports to provide closer weekly tracking of cases nearing the 60 day time frame.

As noted above, DETR Rehabilitation Program management has provided extensive staff training on this subject and continues to emphasize adherence to existing laws and regulations. DETR's Rehabilitation Program management staff reiterate their dedication to complying with required regulations and standards and to that end, will continue to stress adherence to existing program eligibility timeframes, etc.

**Finding Status:** Not corrected.

**Finding 2013-016:**

**Program:** Department of Transportation

Highway Planning and Construction Cluster  
Highway Planning and Construction, CFDA 20.205  
ARRA – Highway Planning and Construction, CFDA 20.205A  
Recreational Trails Program, CFDA 20.219

**Finding Summary:** The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor and subcontractors comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 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).

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.

**State’s Response:** The Department is in the process of revising our procedures as outlined in our original corrective action. The Department has been working with our federal partners at FHWA to ensure that the revised procedures will meet the requirements of the Davis Bacon Act.

**Finding Status:** Partially corrected.

**Finding 2013-017:**

**Program:** Department of Transportation  
Highway Planning and Construction Cluster  
Highway Planning and Construction, CFDA 20.205  
ARRA – Highway Planning and Construction, CFDA 20.205A  
Recreational Trails Program, CFDA 20.219

**Finding Summary:** The *OMB Circular A-133 Compliance Supplement* requires that non-Federal entities must have a quality assurance program for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State Department of Transportation, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Our procedures included reviewing 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.

**State's Response:** The District Engineers and Construction Engineers 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.

The construction division is aware of the repeated audit findings and is in the process of evaluating its procedures and training to avoid future findings.

**Finding Status:** Not corrected.

**Finding 2013-018:**

**Program:** Office of the Governor, State Office of Energy  
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.

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.

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.

**State's Response:** Our Internal Controls and Policies and Procedures have been updated to state clearly that DUNS numbers must be received prior to a subaward being approved. Additionally, our office ensures that subrecipient audits are received and reviewed by the required deadline and the requirement to access the Federal Audit Clearinghouse database is included 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.

**Finding Status:** Corrected.

**Finding 2013-019:**

**Program:** Department of Education  
Improving Teacher Quality, CFDA 84.367

**Finding Summary:** The *OMB Circular A-133 Compliance Supplement* 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))).

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.

State's Response: 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.

Finding Status: Corrected.

**Finding 2013-020:**

Program: Department of Education  
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

Finding Summary: 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.

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.

State's Response: The Department has implemented procedures to ensure that all grants and allocations are reported in the FSRS reporting website for the FFATA requirement; however, the procedures for the FFATA system were not completed until January 2015. New grants and allocations will be added to the FFATA system when received in July 2015.

Finding Status: Not corrected.

**Finding 2013-021:**

Program: Department of Health and Human Services, Division of Public and Behavioral Health  
Block Grants for Community Mental Health Services, CFDA 93.958

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, 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)).

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.

**State's Response:** The Nevada Division of Public and Behavioral Health has revised 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, but they have not yet been fully implemented. A management analyst will ensure compliance with the earmarking requirement. The Program Manager is responsible for the application of these procedures.

**Finding Status:** Not corrected.

**Finding 2013-022:**

**Program:** Department of Health and Human Services, Division of Public and Behavioral Health Block Grants for Community Mental Health Services, CFDA 93.958

**Finding Summary:** The *OMB Circular A-133 Compliance Supplement* 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)).

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.

**State's Response:** The Nevada Division of Public and Behavioral Health has revised 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; however, the policies and procedures have not yet been fully implemented. The Program Manager is responsible for the maintenance of effort calculation.

**Finding Status:** Not corrected.

**Finding 2013-023:**

Program: Department of Health and Human Services, Division of Public and Behavioral Health Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, 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.

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.

State's Response: 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. The Bureau Chief will be responsible for ensuring all earmarks are satisfied.

Finding Status: Not corrected.

**Finding 2013-024:**

Program: Department of Health and Human Services, Division of Public and Behavioral Health National Bioterrorism Hospital Preparedness Program, CFDA 93.889

Finding Summary: The *OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having 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.

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.

**State's Response:** Procedures have been developed 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, but have not been fully implemented. These procedures include the requirement that all employees enter on their time sheets the percentage of time allocated to each activity. Program supervisors review each time sheet and match it to a master time allocation document that is used in preparing federal draws. The HPP Program Manager is responsible for the implementation and oversight of these procedures.

**Finding Status:** Not corrected.

**Finding 2013-025:**

**Program:** Department of Health and Human Services, Division of Public and Behavioral Health National Bioterrorism Hospital Preparedness Program, CFDA 93.889

**Finding Summary:** 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 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.

**State's Response:** Policies and procedures are being 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 monitors compliance requirements and reports 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. The HPP Program Manager will be responsible for this policy.

**Finding Status:** Not corrected.

**Finding 2013-026:**

**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; 31 USC 6501 et seq.), require State recipients to enter into Treasury-State Agreements that prescribe specific methods (funding techniques) for drawing Federal funds of selected large programs.

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.

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 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.

State's Response: The Division of Child and Family Services works 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 Status: Corrected.

**Finding 2013-027:**

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 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)).

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.

State's Response: Training was provided to the DCFS eligibility unity. 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 Status: Corrected.

**Finding 2013-028:**

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 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).

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.

State's Response: The Division of Child and Family Services has enhanced 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 are made until this collaboration is complete and Federal approval is received.

Finding Status: Corrected.

**Finding 2013-029:**

**Program:** Department of Health and Human Services, Division of Child and Family Services  
Foster Care – Title IV-E:  
Foster Care, CFDA 93.658  
Adoption Assistance – Title IV-E:  
Adoption Assistance, CFDA 93.659

**Finding Summary:** 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 testing, we requested to view the subaward data entered into the FATA 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.

**State's Response:** Procedures have been 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 Status:** Corrected.

**Finding 2013-030:**

**Program:** Department of Health and Human Services, Division of Child and Family Services  
Foster Care – Title IV-E:  
Foster Care, CFDA 93.658  
Adoption Assistance – Title IV-E:  
Adoption Assistance, CFDA 93.659

**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 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.

**State's Response:** 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.

The error that occurred during the FY14 audit was related to a change in the reporting mechanism from the past paper Single Audit Reporting Forms (SARF) to the Schedule of Federal Expenditure (SEFA) Certification. DCFS was not clear on the requirements of this new reporting format. DCFS has since received training from the Controller's Office on how to report pass-through amounts. The paper Single Audit Reporting Forms have been submitted to the Controller's Office and will be used, if necessary, as the reporting format if the pass-through amounts are not accurately reported on the SEFA. Documentation and training will also be provided to all staff responsible for verification of the SEFA or completion of the SARF.

**Finding Status:** Partially corrected.

**Finding 2013-031:**

**Program:** Department of Health and Human Services, Division of Child and Family Services  
Adoption Assistance – Title IV-E:  
Adoption Assistance, CFDA 93.659  
ARRA – Adoption Assistance, CFDA 93.659A

**Finding Summary:** The *OMB Circular A-133 Compliance Supplement* provides 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.

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.

State's Response: UNITY programmers have identified the software that needs modification and the necessary modifications have been made.

Finding Status: Corrected.

**Finding 2013-032:**

Program: Department of Health and Human Services, Division of Child and Family Services Chafee Foster Care Independence Program, CFDA 93.674

Finding Summary: 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.

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.

State's Response: The Division of Child and Family Services, Grants Management Unit (GMU) has added to the Operating Technical Guidelines Section #403: Federal Reporting – Federal Funding Accountability and Transparency Act (FFATA) and Federal Subaward Reporting System (FSRS). Within this new section of mandated actions by GMU staff, is outlined the Federal Reporting Process which includes the required time frames and amounts. This also includes the requirement for amendments to subrecipients that are equal to or exceed \$25,000 to also be reported. Grants and Projects Analysts (GPAs) are required to read and initial acknowledging that they

have read and agree to abide by all policies and processes outlined in the Technical Guidelines.

The Division of Child and Family Services, Grants Management Unit Operating Technical Guidelines Section 400: Grants And Projects Analyst Duties and Processes will be reviewed and updated if necessary, to include a section that outlines again the federal and internal reporting requirements. Grants and Projects Analysts (GPAs) are required to read and initial acknowledging that they have read and agree to abide by all policies and processes outlined in the Technical Guidelines.

Additionally, once the GPA has completed the required report in FSRS, they will update the internal "DCFS GMU FFATA Reporting Log". The two will be periodically reconciled as an additional means of ensuring required reports have been made.

A checklist will be developed to which will acknowledge that all required file elements, reports, audits, etc. have been reviewed, updated and included in the file as appropriate.

As an additional line of defense against future FFATA reporting errors, the subject of federal reports will be included on monthly staff meeting agendas (which are signed by attendees) as a way to ensure and remind staff of the importance of timely reporting.

Finally, the GMU manager will make spot checks of all required reporting sites to ensure that progress reports, quarterly reports, final reports and fiscal reports have been entered appropriately.

Finding Status: Not corrected.

**Finding 2013-033:**

Program: Department of Health and Human Services, Division of Child and Family Services  
Chafee Foster Care Independence Program, CFDA 93.674

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 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.

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.

**State's Response:** The Division of Child and Family Services, Grants Management Unit Operating Technical Guidelines Section 300: On-Site Reviews will be reviewed and updated if necessary, to include a section that outlines the requirement to ensure that the most recent audits of all subrecipients are reviewed, ensuing compliance with OMB Circular 133. Grants and Projects Analysts (GPAs) are required to read and initial acknowledging that they have read and agree to abide by all policies and processes outlined in the Technical Guidelines.

The Division of Child and Family Services, Grants Management Unit Operating Technical Guidelines Section 400: Grants And Projects Analyst Duties and Processes will be reviewed and updated to include a section that outlines the requirement for GPAs to examine those subrecipients who will *not* be receiving an on-site review, ensuring that annual audits have been performed and corrective action items addressed.

GPAs are required to read and initial acknowledging that they have read and agree to abide by all policies and processes outlined in the Technical Guidelines.

A checklist will be developed which will acknowledge that all required file elements, reports, audits, etc. have been reviewed, updated and included in the file as appropriate.

As an additional line of defense, the subject of on-site reviews will be included on monthly staff meeting agendas (which are signed by attendees) as a way to ensure and remind staff of the importance of checking on those subrecipients who may not be receiving an annual on-site review, ensuring the audit has been performed and examined.

Finally, the GMU manager will conduct spot checks of all subrecipient files to ensure the independent audits have been reviewed.

**Finding Status:** Not corrected.

**Finding 2013-034:**

**Program:** Department of Health and Human Services, Division of Welfare and Supportive Services  
Children's Health Insurance Program (CHIP), CFDA 93.767

**Finding Summary:** 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.

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.

State's Response: All files transferred from DHCFP and received by DWSS, including any supporting documentation material within were converted into the agency's NOMADS system. As of February 2014, new applications submitted through Nevada Health Link are forwarded electronically to DWSS office staff to process and determine eligibility. Any additional requested information is scanned and placed in the client's electronic file eliminating the need for paper files thus reducing the potential for missing documentation. DWSS continues to conduct internal management reviews through random file sampling to ensure proper supporting documentation is maintained. A subsequent request from the Division of Medicaid and Children's Health Operations, Centers for Medicare and Medicaid Services (CMS) for DWSS policy, procedures and additional documentation for review, has resulted in this to be considered a closed issue with no further action required.

Finding Status: Corrected.

Sincerely,



Ronald L. Knecht, MS, JS, PE (CA)  
Nevada State Controller

RLK:lah