

STATE OF NEVADA

**Single Audit Report
For the Year Ended
June 30, 2010**

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2010, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit:

Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 63.17 percent of the assets and 3.50 percent of the revenues of the business-type activities;
- the financial statements of the Nevada System of Higher Education and the Colorado River Commission, both of which are discretely presented component units.

Fund Financial Statements

- the financial statements of the Housing Division Enterprise Fund;
- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds, which represent less than one percent of the assets and 4.92 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 73.50 percent of the assets and 46.61 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 17.80 percent of the assets and 30.65 percent of the revenues of the aggregate remaining fund information;
- the financial statements of the Retirement Benefits Investment Fund, which represent less than one percent of the assets and revenues of the aggregate remaining fund information.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the State of Nevada’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management’s discussion and analysis on pages 3 through 13, the budgetary comparison schedule, the notes to required supplementary information-budgetary reporting, the schedule of funding progress and the schedule of infrastructure condition and maintenance data, collectively on pages 66 through 70, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nevada’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. As discussed in Note 1 to the Schedule of Expenditures of Federal Awards on page 111, the Federal award programs of the Nevada System of Higher Education are not included in the accompanying Schedule of Expenditures of Federal Awards. Federal award programs of the Nevada System of Higher Education will be reported on separately.

Kaufury, Armstrong & Co.

Reno, Nevada
December 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the additional information furnished in the letter of transmittal.

HIGHLIGHTS

Government-wide:

Net Assets – The assets of the State exceeded its liabilities at the close of the fiscal year ended June 30, 2010 by \$4.2 billion (reported as *net assets*). Of the \$4.2 billion in net assets, \$1.1 billion was restricted and not available to meet the State's general obligations. Also unavailable to meet the State's general obligations is the \$3.6 billion invested in capital assets, net of related debt.

Changes in Net Assets – The State's total net assets decreased by \$527.4 million in fiscal year 2010. Net assets of governmental activities increased by \$123.5 million (a 3.1% increase) and net assets of the business-type activities decreased by \$650.9 million (an 80.0% decrease).

Fund-level:

At the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$1.6 billion, a decrease of \$34.9 million from the prior year. Of this amount, \$485.5 million represents the *unreserved fund balance*.

The State's enterprise funds reported combined ending net assets of \$164.3 million, a decrease of \$651.2 million from the prior year, attributable primarily to a decrease of \$672.2 in net assets of the Unemployment Compensation fund. Of the combined ending net assets, \$303.8 million represents a deficit in *unrestricted net assets* of which \$301.9 is from the Unemployment Compensation fund.

The State's fiduciary funds reported combined ending net assets of \$27.8 billion, an increase of \$3.4 billion from the prior year. This increase is due primarily to the change in the fair value of investments in the Pension Trust Funds.

Long-term Debt (government-wide):

The net increase in the State's long-term debt obligations was \$495.1 million (an 11.5% increase) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements:

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

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

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

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

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

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

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

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

Fund Financial Statements:

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

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

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

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

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

Notes to the Financial Statements:

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

Required Supplementary Information:

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

Other Supplementary Information:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the fiscal years ended June 30, 2010 and 2009 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

State of Nevada's Net Assets-Primary Government <i>(expressed in thousands)</i>							
	Governmental Activities		Business-type Activities		Total		Total Change
	2010	2009	2010	2009	2010	2009	2010-2009
Assets							
Current and other assets	\$ 3,299,428	\$ 3,390,666	\$ 1,904,758	\$ 2,040,393	\$ 5,204,186	\$ 5,431,059	\$ (226,873)
Net capital assets	5,330,157	5,198,108	10,986	10,360	5,341,143	5,208,468	132,675
Total assets	8,629,585	8,588,774	1,915,744	2,050,753	10,545,329	10,639,527	(94,198)
Liabilities							
Current liabilities	1,399,495	1,458,110	78,624	79,965	1,478,119	1,538,075	(59,956)
Long-term liabilities	3,148,576	3,172,628	1,672,864	1,153,620	4,821,440	4,326,248	495,192
Total liabilities	4,548,071	4,630,738	1,751,488	1,233,585	6,299,559	5,864,323	435,236
Net Assets							
Invested in capital assets, net							
of related debt	3,622,787	3,492,205	3,615	3,286	3,626,402	3,495,491	130,911
Restricted	683,526	702,743	464,346	819,348	1,147,872	1,522,091	(374,219)
Unrestricted (deficit)	(224,799)	(236,912)	(303,705)	(5,466)	(528,504)	(242,378)	(286,126)
Total net assets	\$ 4,081,514	\$ 3,958,036	\$ 164,256	\$ 817,168	\$ 4,245,770	\$ 4,775,204	\$ (529,434)

Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled \$4.2 billion at the end of 2010, compared with \$4.8 billion at the end of the previous year.

The largest portion of the State's net assets (\$3.6 billion or 85%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets of \$1.1 billion or 27% represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net assets deficit of \$528.5 million or -12%, as compared to a \$242.4 million deficit in the prior year. Although general revenues in the form of gaming taxes, sales and use taxes, and motor taxes were lower, total government-wide revenues increased over the prior year, due primarily to additional federal funds received through the American Recovery and Reinvestment Act which includes stimulus, Medicaid and unemployment compensation programs. Even so, the unrestricted net assets deficit occurred because the increase in government-wide expenses exceeded the revenues received. The majority of the increase in government-wide expenses was due to the \$897 million increase in unemployment insurance benefits paid. Nevada's unemployment rate is significantly higher

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

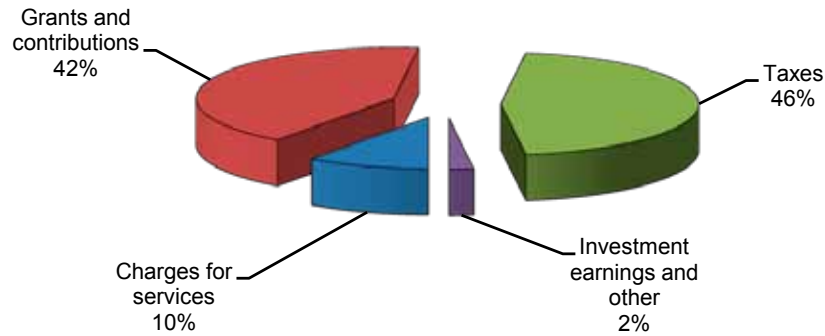
Changes in State of Nevada's Net Assets-Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Change
	2010	2009	2010	2009	2010	2009	2010-2009
Revenues							
Program revenues							
Charges for services	\$ 797,028	\$ 794,893	\$ 87,356	\$ 105,244	\$ 884,384	\$ 900,137	\$ (15,753)
Operating grants and contributions	3,141,986	2,544,032	1,335,177	525,550	4,477,163	3,069,582	1,407,581
Capital grants and contributions	56,719	19,608	-	-	56,719	19,608	37,111
General revenues							
Sales and use taxes	870,474	943,787	-	-	870,474	943,787	(73,313)
Gaming taxes	844,470	883,054	-	-	844,470	883,054	(38,584)
Modified business taxes	381,300	281,605	-	-	381,300	281,605	99,695
Insurance premium taxes	233,280	241,252	-	-	233,280	241,252	(7,972)
Property and transfer taxes	266,878	278,881	-	-	266,878	278,881	(12,003)
Motor and special fuel taxes	268,554	272,614	-	-	268,554	272,614	(4,060)
Other taxes	620,834	374,704	314,657	342,588	935,491	717,292	218,199
Investment earnings	(1,246)	9,026	-	-	(1,246)	9,026	(10,272)
Other	169,024	181,086	-	-	169,024	181,086	(12,062)
Total Revenues	7,649,301	6,824,542	1,737,190	973,382	9,386,491	7,797,924	1,588,567
Expenses							
General government	375,219	389,943	-	-	375,219	389,943	(14,724)
Health and social services	3,017,013	2,667,419	-	-	3,017,013	2,667,419	349,594
Education and support services	2,430,923	2,475,416	-	-	2,430,923	2,475,416	(44,493)
Law, justice and public safety	690,104	687,410	-	-	690,104	687,410	2,694
Regulation of business	100,380	118,086	-	-	100,380	118,086	(17,706)
Transportation	644,976	762,610	-	-	644,976	762,610	(117,634)
Recreation and resource development	161,048	165,741	-	-	161,048	165,741	(4,693)
Interest on long-term debt	132,238	138,304	-	-	132,238	138,304	(6,066)
Unallocated depreciation	1,448	976	-	-	1,448	976	472
Unemployment insurance	-	-	2,233,382	1,336,043	2,233,382	1,336,043	897,339
Housing	-	-	57,342	44,382	57,342	44,382	12,960
Water loans	-	-	14,697	6,218	14,697	6,218	8,479
Workers' compensation and safety	-	-	26,084	26,801	26,084	26,801	(717)
Higher education	-	-	14,051	13,103	14,051	13,103	948
Other	-	-	23,175	16,967	23,175	16,967	6,208
Total Expenses	7,553,349	7,405,905	2,368,731	1,443,514	9,922,080	8,849,419	1,072,661
Excess (deficiency) in net assets before contributions to permanent funds and transfers	95,952	(581,363)	(631,541)	(470,132)	(535,589)	(1,051,495)	515,906
Contributions to permanent fund	8,165	7,019	-	-	8,165	7,019	1,146
Transfers	19,361	23,912	(19,361)	(23,912)	-	-	-
Change in net assets	123,478	(550,432)	(650,902)	(494,044)	(527,424)	(1,044,476)	517,052
Net assets - beginning of year	3,958,036	4,508,468	817,168	1,311,212	4,775,204	5,819,680	(1,044,476)
Change in reporting entity	-	-	(2,010)	-	(2,010)	-	(2,010)
Net assets - beginning of year (restated)	3,958,036	4,508,468	815,158	1,311,212	4,773,194	5,819,680	(1,046,486)
Net assets - end of year	\$ 4,081,514	\$ 3,958,036	\$ 164,256	\$ 817,168	\$4,245,770	\$ 4,775,204	\$ (529,434)

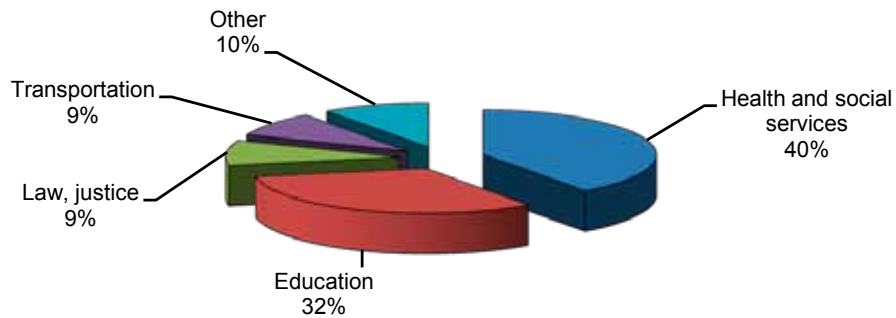
Changes in Net Assets:

Governmental activities –The net assets increased by \$123.5 million or 3.1%. Approximately 46% of the total revenue came from taxes, while 42% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 10% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were for health and social services (40%) and education (32%) (see chart below). In 2010, governmental activities expenses exceeded program revenues, resulting in the use of \$3.6 billion in general revenues, which were generated to support the government.

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



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

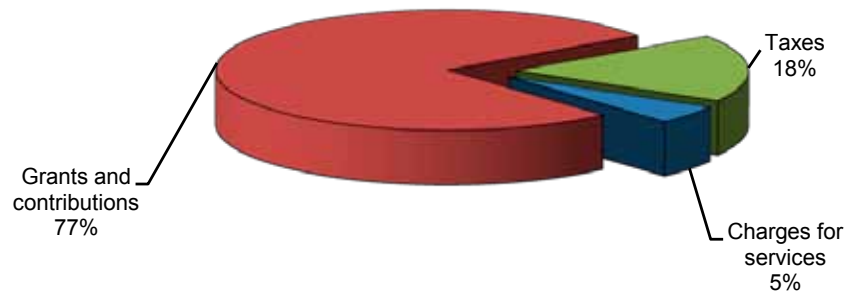


The following table depicts the total program revenues and expenses for each function of governmental activities:

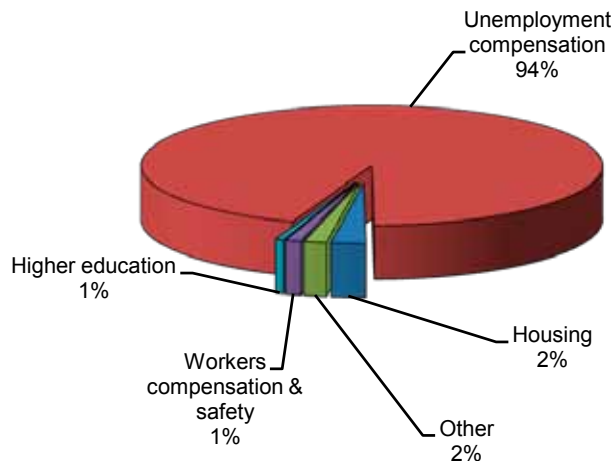
	Expenses	Revenue
General Government	\$ 375,219	\$ 342,565
Health and Social Services	3,017,013	2,075,962
Education	2,430,923	531,317
Law, Justice	690,104	388,214
Regulation	100,380	97,838
Transportation	644,976	481,270
Recreation	161,048	77,742
Total	\$ 7,419,663	\$ 3,994,908

Business-type activities –The net assets decreased by \$651 million or 80%. Approximately 18% of the total revenue came from taxes, while 77% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 5% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (94%) and housing (2%) (see chart below). In 2010, business-type activities expenses exceeded program revenues by \$946.2 million. Of this amount, unemployment compensation was the largest, with net expenses of \$982 million, resulting in the use of \$315 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

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



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



The following table depicts the total program revenues and expenses for each function for business-type activities:

	Expenses	Revenue
Unemployment Compensation	\$ 2,233,382	\$ 1,251,318
Housing	57,342	60,719
Water Loans	14,697	34,076
Workers Compensation	26,084	32,675
Higher Education	14,051	20,378
Other	23,175	23,367
Total	\$ 2,368,731	\$ 1,422,533

Although the net assets of the governmental activities had an increase of \$124 million, the net assets of the business-type activities had a \$651 million decrease, resulting in a decline in the State government's overall financial position. Net assets of the governmental activities increased 3.1% during 2010, however, 2009 declined 12.2%. The net assets of the business-type activities had an 80% decline, on top of a 38% decline in 2009. Both Nevada and the U.S. economy continue to recover from the decline in the housing sector and the collapse of the financial markets. Tax revenues for governmental activities increased in the current fiscal year by 6.4%, compared to a decrease of 9.6% in the prior fiscal year. This increase was mainly a result of an increase in the modified business tax due to a change in law, and changes in other taxes, specifically, an increase in the lodging tax rate and certain ad valorem taxes redirected to the General Fund. However, there was a continued slowdown in gaming, sales, property and transfer taxes. An increase in unemployment claims, mostly related to the drop in construction and leisure/hospitality employment, was another reason for the fall in growth of business-type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds:

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.58 billion, a decrease of \$35 million in comparison with the prior year. Approximately 30.8% of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year, to pay debt service, to be held in permanent trust funds or for a variety of other purposes. The major governmental funds are discussed individually below:

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund fund balance was \$234.6 million. The fund balance increased by \$41.7 million during the current fiscal year, which is a 21.6% increase from the prior year. The reasons for this increase are discussed in further detail below.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2010 and 2009 (expressed in thousands). Other financing sources are not included.

General Fund Revenues (expressed in thousands)						
	2010		2009		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 827,681	13.7%	\$ 865,609	16.3%	\$ (37,928)	-4.4%
Sales taxes	870,539	14.5%	953,112	18.0%	(82,573)	-8.7%
Modified business taxes	385,110	6.4%	277,516	5.2%	107,594	38.8%
Insurance premium taxes	233,906	3.9%	238,524	4.5%	(4,618)	-1.9%
Property and transfer taxes	53,315	0.9%	65,922	1.2%	(12,607)	-19.1%
Motor and special fuel taxes	3,016	0.1%	3,135	0.1%	(119)	-3.8%
Intergovernmental	2,708,799	45.0%	2,221,824	41.8%	486,975	21.9%
Other taxes	543,573	9.0%	315,726	5.9%	227,847	72.2%
Licenses, fees and permits	244,507	4.1%	209,250	3.9%	35,257	16.8%
Sales and charges for services	53,333	0.9%	54,304	1.0%	(971)	-1.8%
Interest and investment income	11,657	0.2%	7,606	0.1%	4,051	53.3%
Other revenues	81,500	1.3%	103,979	2.0%	(22,479)	-21.6%
Total revenues	\$ 6,016,936	100.0%	\$ 5,316,507	100.0%	\$ 700,429	13.2%

The total General Fund revenues increased 13.2%. The largest increase in revenue sources was \$487 million or 21.9% in intergovernmental revenue. These are revenues received from the federal government, and the most significant increases were from the stimulus and Medicaid programs. The stimulus program was implemented as a result of the American Recovery and Reinvestment Act (ARRA), which was signed into law on February 17, 2009 by President Obama. The intent of ARRA was to grant additional monies to all the states to stimulate economic growth. During fiscal year 2010 the major stimulus funds received were \$194.6 million for Medicaid and \$256.9 million for stabilization. Of this, 70% has been awarded for fiscal stabilization and entitlements. The State expects to receive more than \$3.16 billion in total stimulus funds from the start of the program in 2009 through 2014. Other increases in General Fund revenue sources were \$107.6 or 38.8% in modified business taxes and \$227.8 million or 72.2% in other taxes. The largest declines in revenue sources were \$82.6 million or 8.7% in sales tax, \$37.9 million or 4.4% in gaming taxes, fees and licenses, and \$12.6 million or 19.1% in property and transfer taxes, all due to the continued slow down of the economy and lingering effects from the collapse of the security and real estate markets.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2010 and 2009 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures (expressed in thousands)						
	2010		2009		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 91,485	1.5%	\$ 97,675	1.7%	\$ (6,190)	-6.3%
Health and social services	2,716,246	44.6%	2,428,459	42.0%	287,787	11.9%
Education and support services	56,712	0.9%	57,077	1.0%	(365)	-0.6%
Law, justice and public safety	462,314	7.6%	450,076	7.8%	12,238	2.7%
Regulation of business	84,885	1.4%	83,253	1.4%	1,632	2.0%
Recreation, resource development	108,135	1.8%	111,828	1.9%	(3,693)	-3.3%
Intergovernmental	2,568,947	42.2%	2,552,842	44.2%	16,105	0.6%
Debt service	1,747	0.0%	1,532	0.0%	215	14.0%
Total expenditures	\$ 6,090,471	100.0%	\$ 5,782,742	100.0%	\$ 307,729	5.3%

The total General Fund expenditures increased 5.3%. Health and social services expenditures increased \$287.8 million or 11.9%. The largest portion of this amount was for Health Care Financing & Policy, Medicaid, food stamps, and energy assistance programs. Intergovernmental expenditures increased \$16.1 million or .6% primarily due to intergovernmental expenditures for education.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance decreased \$38.8 million during the current fiscal year, which is a 12.5% decrease from the prior year. This decrease is primarily due to increased intergovernmental payments. The unreserved fund balance is a negative \$243.3 million and the reserved balance is a positive \$513.9 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 \$14.6 million during the current fiscal year, which is a 4.5% decrease from the prior year. This decrease was primarily due to a decrease in debt service payments received from entities as a result of lower principal balances.

The Consolidated Bond Interest and Redemption Fund is a debt service fund used to accumulate monies for the payment of leases and principal and interest on general obligation bonds of the State. The fund balance decreased by \$.8 million during the current fiscal year, which is a .5% decrease from the prior year.

Proprietary Funds:

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

Enterprise Funds – There are three *major* enterprise funds: Housing Division Fund, Unemployment Compensation Fund and Water Projects Loans Fund. The combined net assets of the three major funds comprise 81% of the total combined net assets of all enterprise funds. The combined net assets of the enterprise funds decreased by \$651.2 million in 2010. The major enterprise funds are discussed below:

The Housing Division Fund provides low interest loans to first-time homebuyers with low or moderate household incomes. The net assets increased by \$3.4 million or 1.9% during the current fiscal year, and the results of operations were down 7% from last year, due to the downturn of the housing market.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net assets decreased by \$672 million during the current fiscal year, which is a 182% decrease from the prior year. An increase in unemployment due to the slowdown in the economy and the drop in construction and hospitality/leisure employment resulted in a 67% increase in operating expenses compared to the previous year.

The Water Projects Loans Fund issues loans to governmental, as well as private entities for two programs: safe drinking water and water pollution control. The federal EPA matches the State's bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. Total revenues exceeded expenses and transfers by \$17.9 million during the current fiscal year, for final net assets of \$251.2 million, which is a 7.7% increase from the prior year.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and motor pool in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2010, total internal service fund net assets increased by \$5.6 million, for a final net asset balance of \$54 million. The two largest funds are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. The fund had an increase in net assets of \$3.1 million for the year as compared to a decrease in net assets of \$11.9 million in the prior year, with final net assets of \$54.7 million. This year's gain resulted from a 6% increase in insurance premium income.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit improved by \$4.2 million or 15% during fiscal year 2010, to a total deficit of \$24.1 million. This year's increase from operations was caused primarily by a 30% decrease in claims expense, and a 6% increase in premium income. NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund total sources were \$555 million or 7.1% less than the final budget. This was due primarily to actual intergovernmental revenues received that were less than the final budgeted amount.

The net increase in the General Fund expenditures and other uses budget from original to final was \$738 million. Some of the differences originate because the original budget consists only of budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. Also, 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 revisions discussed above were approximately \$923 million. Other budget revisions included: \$253 million decrease in appropriations per AB6 of the 26th Special Session of the Nevada Legislature; \$23.7 million decrease for legislatively approved transfer of appropriations to fiscal year 2009; \$38.8 million decrease for legislatively approved transfer of appropriations to fiscal year 2011; and \$130 million increase for legislatively approved transfers from fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for its governmental and business-type activities as of June 30, 2010, amount to \$6.2 billion, net of accumulated depreciation of \$888 million, leaving a net book value of \$5.3 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

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

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

	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%

Condition Level of the Bridges
Percentage of substandard bridges

	2009	2007	2005
	State Policy-maximum percentage	10%	10%
Actual results condition assessment	15%	4%	3%

The substandard condition of bridges, for the most current condition assessment, is the result of a change in bridge reporting and inspection methodologies. The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2010 by \$29.6 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the target condition levels, as the most recent condition assessment indicates that the State already exceeds the established benchmarks in the roadway category. The State is considering revising its policy for bridges to allow for the changes in reporting and inspection methodologies. 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 during 2010 (expressed in millions):

	Expended by June 30, 2010	Total Budget
High Desert State Prison Phase 5	\$ 48.9	\$ 49.6
SNWCC 300 Bed Expansion	41.9	43.1
Indian Springs Conservation Camp	40.1	40.9
Unified Tax System	34.4	40.5
GSF/Campos Office Building	39.2	39.7
Readiness Center North Las Vegas	1.00	35.8
Housing Units - Pre-Engineered	29.1	29.3
SDCC Housing Unit & Planning	20.2	28.9
Las Vegas Readiness Center	24.2	25.9
Las Vegas Readiness Center - Field Maintenance Shop	-	24.3

The total increase in the State's capital assets for the primary government for the current fiscal year was \$399.1 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$78 million.

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

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Debt Administration:

As of year-end, the State had \$4.8 billion in long-term liabilities outstanding, compared to \$4.3 billion last year, an increase of \$495.2 million or 11.5% during the current fiscal year. This increase was due primarily to the issuance of special obligation bonds.

The most current bond ratings from Fitch, Moody's Investor Service and Standard and Poor's were AA+, Aa1 and AA+, respectively. These ratings are an indication of high quality obligations and a reflection of sound financial management. The Constitution of the State limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State.

New bonds and certificates of participation issued during the 2010 fiscal year were (expressed in thousands):

General Obligation Capital Improvements	11/17/09A	\$	68,000
General Obligation Capital Improvements and Cultural Affairs and Refunding	11/17/09B		34,990
General Obligation Natural Resources and Refunding	11/17/09C		14,680
General Obligation Open Space, Parks and Cultural Resources	11/17/09D		5,000
General Obligation Open Space, Parks and Natural Resources	11/17/09E		8,240
General Obligation Natural Resources	06/24/10A		4,675
General Obligation Water Refunding	06/24/10B		7,405
COPS Juvenile Treatment Facility Project Refunding	12/10/2009		7,900
Housing Single-Family 2009 Issue B	11/19/2009		22,651
Housing Single-Family 2009 Issue I, Variable	12/28/2009		102,340
Housing Multi-Unit Series A	12/28/2009		24,500

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

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

Requests for Information

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

Statement of Net Assets



NEVADA

June 30, 2010 (Expressed in Thousands)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Colorado River Commission	Nevada System of Higher Education	
Assets						
Cash and pooled investments	\$ 1,466,778	\$ 159,832	\$ 1,626,610	\$ 4,196	\$ 172,487	
Investments	578,475	804,915	1,383,390	-	785,162	
Internal balances	6,138	(6,138)	-	-	-	
Due from the state	-	-	-	28	91,828	
Accounts receivable	49,674	6,033	55,707	16,851	32,107	
Taxes/assessments receivable	712,860	131,495	844,355	-	-	
Intergovernmental receivables	449,615	1,877	451,492	-	39,397	
Accrued interest and dividends	5,569	13,129	18,698	20	-	
Contracts receivable	-	18,435	18,435	-	-	
Mortgages receivable	-	595,218	595,218	-	-	
Notes/loans receivable	520	23,772	24,292	-	12,359	
Other receivables	17	6	23	-	56,046	
Inventory	13,714	1,452	15,166	-	6,369	
Prepaid expenses	2,614	7	2,621	-	-	
Deferred charges	13,454	4,270	17,724	33,787	-	
Restricted assets:						
Cash	-	-	-	10,950	8,716	
Investments	-	145,793	145,793	-	-	
Other assets	-	4,662	4,662	-	41,738	
Capital assets:						
Land, infrastructure and construction in progress	4,073,686	9,044	4,082,730	-	212,663	
Other capital assets, net	1,256,471	1,942	1,258,413	56,577	1,757,329	
Total assets	8,629,585	1,915,744	10,545,329	122,409	3,216,201	
Liabilities						
Accounts payable	707,760	53,380	761,140	11,399	35,959	
Accrued payroll and related liabilities	55,422	878	56,300	-	29,444	
Intergovernmental payables	92,811	473	93,284	-	7,074	
Interest payable	25,793	9,428	35,221	1,361	11,140	
Due to component units	60,019	29	60,048	-	-	
Contracts/retentions payable	39,000	-	39,000	-	-	
Unearned revenues	350,886	9,724	360,610	587	36,894	
Other liabilities	67,804	4,712	72,516	4,199	24,569	

Long-term liabilities:					
<i>Portion due or payable within one year:</i>					
Reserve for losses	51,467	-	51,467	-	-
Obligations under capital leases	3,232	-	3,232	-	2,469
Compensated absences	70,325	1,197	71,522	218	30,910
Benefits payable	-	10,000	10,000	-	-
Bonds payable	198,717	22,671	221,388	5,669	20,138
Certificates of participation payable	703	-	703	-	-
Arbitrage rebate liability	195	-	195	-	-
<i>Portion due or payable after one year:</i>					
Federal unemployment advance	-	438,325	438,325	-	-
Reserve for losses	28,169	-	28,169	-	-
Obligations under capital leases	30,614	-	30,614	-	6,244
Compensated absences	33,248	698	33,946	91	15,144
Benefits payable	-	121,505	121,505	-	-
Bonds payable	2,641,008	1,078,404	3,719,412	91,110	489,720
Certificates of participation payable	56,067	-	56,067	-	-
Due to component unit	31,808	-	31,808	-	-
Arbitrage rebate liability	3,023	64	3,087	-	-
Total liabilities	4,548,071	1,751,488	6,299,559	114,634	709,705

Net Assets					
Invested in capital assets, net of related debt	3,622,787	3,615	3,626,402	(4,224)	1,452,875
Restricted for:					
Security of outstanding obligations	-	179,974	179,974	-	-
Workers' compensation	-	32,313	32,313	-	97,463
Capital projects	-	-	-	-	13,048
Debt service	35,841	-	35,841	-	-
Education and support services	3,936	-	3,936	-	-
Transportation	260,220	-	260,220	-	-
Recreation and resource development	52,849	251,159	304,008	-	-
Law, justice and public safety	11,104	-	11,104	-	-
Health and social services	8,580	-	8,580	-	-
Regulation of business	9,704	900	10,604	-	-
Municipal securities	1,353	-	1,353	-	-
Scholarships	-	-	-	-	240,258
Loans	-	-	-	-	7,412
Operations and maintenance	-	-	-	710	-
Funds held as permanent investments:					
Nonexpendable	299,919	-	299,919	-	265,604
Expendable	20	-	20	-	-
Unrestricted (deficit)	(224,799)	(303,705)	(528,504)	11,289	429,836
Total net assets	\$ 4,081,514	\$ 164,256	\$ 4,245,770	\$ 7,775	\$ 2,506,496

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

Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
					Primary Government				Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Colorado River Commission	Nevada System of Higher Education
	\$ 375,219	\$ 285,927	\$ 56,617	\$ 21	\$ (32,654)	\$ -	\$ (32,654)	\$ -	\$ -
General government	3,017,013	131,408	1,944,554	-	(941,051)	-	(941,051)	-	-
Health and social services	2,430,923	3,351	527,966	-	(1,899,606)	-	(1,899,606)	-	-
Education and support services	690,104	236,004	149,451	2,759	(301,890)	-	(301,890)	-	-
Law, justice and public safety	100,380	67,498	30,340	-	(2,542)	-	(2,542)	-	-
Regulation of business	644,976	36,544	391,714	53,012	(163,706)	-	(163,706)	-	-
Transportation	161,048	36,296	40,519	927	(83,306)	-	(83,306)	-	-
Recreation and resource development	132,238	-	825	-	(131,413)	-	(131,413)	-	-
Interest on long-term debt	1,448	-	-	-	(1,448)	-	(1,448)	-	-
Unallocated depreciation	7,553,349	797,028	3,141,986	56,719	(3,557,616)	-	(3,557,616)	-	-
Total governmental activities	2,233,382	1,669	1,249,649	-	-	(982,064)	(982,064)	-	-
Business-type activities:	57,342	23,693	37,026	-	-	3,377	3,377	-	-
Unemployment insurance	14,697	8,409	25,667	-	-	19,379	19,379	-	-
Housing	26,084	30,144	2,531	-	-	6,591	6,591	-	-
Water loans	14,051	89	20,289	-	-	6,327	6,327	-	-
Workers' compensation and safety	23,175	23,352	15	-	-	192	192	-	-
Higher education	2,368,731	87,356	1,335,177	-	-	(946,198)	(946,198)	-	-
Other	\$ 9,922,080	\$ 884,384	\$ 4,477,163	\$ 56,719	(3,557,616)	(946,198)	(4,503,814)	-	-
Total business-type activities	\$ 85,137	\$ 84,336	\$ -	\$ -	-	-	-	(801)	-
Total primary government	1,517,039	524,767	600,318	6,892	-	-	-	-	(385,062)
Component Units	\$ 1,602,176	\$ 609,103	\$ 600,318	\$ 6,892	-	-	-	(801)	(385,062)

General revenues:					
Taxes:					
Gaming	810,758	-	-	810,758	-
Sales and use	784,283	-	-	784,283	-
Modified business	381,300	-	-	381,300	-
Insurance premium	233,280	-	-	233,280	-
Property and transfer	53,315	-	-	53,315	-
Motor and special fuel	3,016	-	-	3,016	-
Other	509,912	-	-	509,912	-
Restricted for unemployment compensation:					
Other taxes	-	314,657	-	314,657	-
Restricted for educational purposes:					
Sales and use taxes	86,191	-	-	86,191	-
Gaming taxes	33,712	-	-	33,712	-
Restricted for debt service purposes:					
Property and transfer taxes	186,714	-	-	186,714	-
Motor and special fuel taxes	89,298	-	-	89,298	-
Other	22,145	-	-	22,145	-
Restricted for recreation and resource development purposes:					
Other taxes	27,040	-	-	27,040	-
Restricted for health and social services purposes:					
Property and transfer taxes	26,849	-	-	26,849	-
Other taxes	39,405	-	-	39,405	-
Restricted for transportation purposes:					
Motor and special fuel taxes	176,240	-	-	176,240	-
Other taxes	40,503	-	-	40,503	-
Restricted for regulation purposes:					
Other taxes	3,974	-	-	3,974	-
Tobacco settlement income	37,993	-	-	37,993	-
Unrestricted investment earnings	(1,246)	-	50	(1,246)	84,446
Other general revenues	108,886	-	626	108,886	-
Contributions to permanent funds	8,165	-	-	8,165	20,009
Payments from State of Nevada	-	-	-	-	458,616
Special item - abandonment loss	-	-	(370)	-	-
Transfers	19,361	(19,361)	-	-	-
Total general revenues, special items, and transfers	3,681,094	295,296	306	3,976,390	563,071
Change in net assets	123,478	(650,902)	(495)	(527,424)	178,009
Net assets - beginning (as restated)	3,958,036	815,158	8,270	4,773,194	2,328,487
Net assets - ending	\$ 4,081,514	\$ 164,256	\$ 7,775	\$ 4,245,770	\$ 2,506,496

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

Balance Sheet Governmental Funds

June 30, 2010

Assets	General Fund	State Highway	Municipal Bond Bank
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 513,480,030	\$ 279,433,088	\$ 345,722
Cash in custody of other officials	2,821,631	180,406	-
Investments	7,826,340	-	311,565,000
<i>Receivables:</i>			
Accounts receivable	18,365,182	4,434,281	-
Taxes receivable	663,464,529	43,662,555	-
Intergovernmental receivables	277,212,539	24,454,314	-
Accrued interest and dividends	2,804,706	-	1,420,588
Notes/loans receivable	386,735	-	-
Other receivables	15,830	-	-
Due from other funds	42,822,559	2,994,496	3,966
Due from fiduciary funds	110,329	-	-
Due from component units	539,989	-	-
Inventory	-	12,308,833	-
Advances to other funds	7,325,057	-	-
Prepaid items	1,677,341	11,800	-
Total assets	\$ 1,538,852,797	\$ 367,479,773	\$ 313,335,276
Liabilities and Fund Balances			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 286,137,409	\$ 26,069,564	\$ -
Accrued payroll and related liabilities	36,308,556	13,948,612	-
Intergovernmental payables	83,017,970	7,758,265	-
Interest payable	-	-	-
Contracts/retentions payable	503,898	25,978,361	-
Due to other funds	69,270,886	2,193,276	417,731
Due to fiduciary funds	369,581,473	732,504	-
Due to component units	9,487,211	209,125	-
Deferred revenues	383,986,756	18,741,421	1,421,203
Bonds payable	-	-	-
Other liabilities	66,000,588	1,249,361	-
Total liabilities	1,304,294,747	96,880,489	1,838,934
Fund balances:			
<i>Reserved:</i>			
Encumbrances and contracts	3,073,785	501,570,976	-
Inventories	-	12,308,833	-
Advances	7,325,057	-	-
Funds held as permanent investments	-	-	-
Fiscal emergency	-	-	-
Debt service	-	-	-
Other	2,064,076	11,800	-
Unreserved, designated for balances forward	219,988,894	-	-
Unreserved, designated for approved capital projects	2,106,238	-	-
<i>Unreserved, designated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Unreserved, undesignated	-	(243,292,325)	311,496,342
<i>Unreserved, undesignated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Permanent funds	(5)	2	1
Total fund balances	234,558,050	270,599,284	311,496,342
Total liabilities and fund balances	\$ 1,538,852,797	\$ 367,479,773	\$ 313,335,276

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



Consolidated Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
\$ 161,614,681	\$ 346,152,335	\$ 1,301,025,856
-	43,137,649	46,139,686
-	259,083,450	578,474,790
-	21,634,031	44,433,494
-	5,733,304	712,860,388
132,258,124	9,430,573	443,355,550
-	1,343,250	5,568,544
-	23,069	409,804
-	1,000	16,830
4,753,143	66,078,682	116,652,846
-	422,492	532,821
5,775,000	86,000	6,400,989
-	1,125,257	13,434,090
1,506,366	-	8,831,423
-	98,629	1,787,770
<u>\$ 305,907,314</u>	<u>\$ 754,349,721</u>	<u>\$ 3,279,924,881</u>
\$ 74,421	\$ 12,158,207	\$ 324,439,601
-	3,868,250	54,125,418
4,234	1,990,817	92,771,286
3,090,091	-	3,090,091
-	12,517,964	39,000,223
5,096,665	43,540,671	120,519,229
-	128,588	370,442,565
-	58,810,153	68,506,489
137,261,414	21,422,377	562,833,171
360,000	-	360,000
-	553,932	67,803,881
<u>145,886,825</u>	<u>154,990,959</u>	<u>1,703,891,954</u>
-	22,543,073	527,187,834
-	1,125,257	13,434,090
1,506,366	-	8,831,423
-	299,919,132	299,919,132
-	41,321,014	41,321,014
158,514,123	35,840,821	194,354,944
-	3,383,938	5,459,814
-	-	219,988,894
-	-	2,106,238
-	1,200,000	1,200,000
-	59,943,263	59,943,263
-	-	68,204,017
-	134,062,087	134,062,087
-	20,177	20,177
<u>160,020,489</u>	<u>599,358,762</u>	<u>1,576,032,927</u>
<u>\$ 305,907,314</u>	<u>\$ 754,349,721</u>	<u>\$ 3,279,924,881</u>

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



NEVADA

June 30, 2010

Total fund balances - governmental funds	\$ 1,576,032,927
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	\$ 138,205,139
Construction in progress	178,010,275
Infrastructure assets	3,164,498,164
Rights-of-way	592,841,789
Buildings	1,477,385,017
Improvements other than buildings	113,730,011
Furniture and equipment	322,278,777
Software costs	136,534,764
Accumulated depreciation/amortization	<u>(819,957,767)</u>
Total capital assets	5,303,526,169
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	212,045,613
Intergovernmental receivable not providing current resources.	221,045
Judicial Retirement System of Nevada has been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a current available resource and is not reported in the funds.	10,002
Amounts due to component unit for bonds authorized to be issued are not reported in the funds as they are not due and payable.	(31,808,146)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	53,941,028
The deferred loss on early retirement of debt is reported as a deferred charge on the statement of net assets and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less.	56,428
Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt.	13,397,723
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	(2,831,548,535)
Accrued interest on bonds	(22,702,568)
Arbitrage rebate liability	(3,218,353)
Certificates of participation	(56,769,427)
Capital leases	(31,278,680)
Compensated absences	<u>(100,390,896)</u>
Total long-term liabilities	<u>(3,045,908,459)</u>
Net assets of governmental activities	<u><u>\$ 4,081,514,330</u></u>

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, 2010

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	\$ 827,680,915	\$ -	\$ -
Sales taxes	870,539,400	-	-
Modified business taxes	385,109,788	-	-
Insurance premium taxes	233,905,463	-	-
Property and transfer taxes	53,315,435	-	-
Motor and special fuel taxes	3,016,433	176,239,691	-
Other taxes	543,572,499	36,836,963	-
Intergovernmental	2,708,798,531	456,360,042	-
Licenses, fees and permits	244,507,249	176,973,817	-
Sales and charges for services	53,333,461	14,269,289	-
Interest and investment income	11,656,783	1,177,073	15,982,947
Tobacco settlement income	-	-	-
Land sales	-	-	-
Other	81,500,177	17,208,658	-
Total revenues	6,016,936,134	879,065,533	15,982,947
Expenditures			
<i>Current:</i>			
General government	91,484,990	-	-
Health and social services	2,716,246,448	-	-
Education and support services	56,711,860	-	-
Law, justice and public safety	462,313,820	155,251,120	-
Regulation of business	84,884,651	-	-
Transportation	-	691,931,012	-
Recreation and resource development	108,134,772	-	-
Intergovernmental	2,568,947,426	58,526,718	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	933,089	99,801	-
Interest, fiscal charges	697,681	10,544	-
Debt issuance costs	115,962	-	-
Total expenditures	6,090,470,699	905,819,195	-
Excess (deficiency) of revenues over expenditures	(73,534,565)	(26,753,662)	15,982,947
Other Financing Sources (Uses)			
Capital leases	18,209,075	-	-
Sale of general obligation bonds	15,975,709	-	-
Sale of general obligation refunding bonds	-	-	-
Premium on general obligation bonds	663,275	-	-
Payment to refunded bond agent	-	-	-
Sale of refunding certificates of participation	-	-	-
Premium on certificates of participation	-	-	-
Payment to refunded certificates of participation agent	-	-	-
Sale of capital assets	70,558	15,515	-
Transfers in	191,822,884	1,784,992	-
Transfers out	(111,470,972)	(13,840,542)	(30,609,062)
Total other financing sources (uses)	115,270,529	(12,040,035)	(30,609,062)
Net change in fund balances	41,735,964	(38,793,697)	(14,626,115)
Fund balances, July 1	192,822,086	309,392,981	326,122,457
Fund balances, June 30	\$ 234,558,050	\$ 270,599,284	\$ 311,496,342

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



Consolidated Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 14,678,019	\$ 842,358,934
-	-	870,539,400
-	-	385,109,788
-	-	233,905,463
186,714,280	26,848,669	266,878,384
-	89,297,677	268,553,801
-	40,133,870	620,543,332
8,472,085	99,635,725	3,273,266,383
-	31,356,427	452,837,493
191,356	16,628,028	84,422,134
(284,453)	9,322,931	37,855,281
-	41,962,948	41,962,948
-	964,965	964,965
-	14,019,331	112,728,166
<u>195,093,268</u>	<u>384,848,590</u>	<u>7,491,926,472</u>
257,346	46,251,608	137,993,944
-	116,958,029	2,833,204,477
-	484,527	57,196,387
-	16,325,234	633,890,174
-	22,260,041	107,144,692
-	-	691,931,012
-	22,665,407	130,800,179
389,769	76,825,557	2,704,689,470
-	59,520,431	59,520,431
121,720,000	54,229,265	176,982,155
105,674,261	34,112,485	140,494,971
832,378	785,939	1,734,279
<u>228,873,754</u>	<u>450,418,523</u>	<u>7,675,582,171</u>
<u>(33,780,486)</u>	<u>(65,569,933)</u>	<u>(183,655,699)</u>
-	-	18,209,075
597,216	92,670,837	109,243,762
33,746,240	-	33,746,240
2,166,174	1,098,902	3,928,351
(35,677,139)	-	(35,677,139)
-	7,900,000	7,900,000
-	742,775	742,775
-	(8,465,569)	(8,465,569)
-	5,315	91,388
47,195,511	117,309,241	358,112,628
(15,000,000)	(168,195,235)	(339,115,811)
<u>33,028,002</u>	<u>43,066,266</u>	<u>148,715,700</u>
(752,484)	(22,503,667)	(34,939,999)
160,772,973	621,862,429	1,610,972,926
<u>\$ 160,020,489</u>	<u>\$ 599,358,762</u>	<u>\$ 1,576,032,927</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, 2010

Net change in fund balances - total governmental funds		\$ (34,939,999)
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	\$209,722,823	
Depreciation expense	<u>(70,874,342)</u>	
Excess of capital outlay over depreciation expense		138,848,481
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	(142,990,002)	
Refunding certificates of participation issued	(7,900,000)	
Premiums on debt issued	<u>(4,671,126)</u>	
Total bond proceeds		(155,561,128)
Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		
		(18,209,075)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond principal retirement	165,034,096	
Certificates of participation retirement	1,370,000	
Payments to the bond refunding agent	44,142,708	
Capital lease payments	<u>1,036,746</u>	
Total long-term debt repayment		211,583,550
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.		
		5,325,208
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds.		
		2,515,457
Revenue in the statement of activities that does not provide current financial resources.		
		221,045
In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the the change in net assets differs from the change in fund balance by the cost of the asset sold.		
		(2,383,167)
In the statement of activities, bond issuance costs are deferred and amortized over the life of the bonds, whereas in governmental funds the entire expenditure is recognized.		
		1,734,279
Amortization of bond issuance costs is reported as an expense for the statement of activities.		
		(1,020,794)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		
		(791,906)
Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.		
		10,119,473
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in pension obligation	10,002	
Decrease in accrued interest	1,354,708	
Increase in compensated absences	(875,600)	
Increase in arbitrage liability	(2,643,787)	
Increase in long term due to component unit	<u>(31,808,146)</u>	
Total additional expenditures		<u>(33,962,823)</u>
Change in net assets of governmental activities		\$ 123,478,601

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

Statement of Net Assets Proprietary Funds

June 30, 2010

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	
Assets						
Current assets:						
<i>Cash and pooled investments:</i>						
Cash with treasurer	\$ 251,672	\$ -	\$ 76,521,995	\$ 44,767,356	\$ 121,541,023	\$119,612,618
Cash in custody of other officials	545,419	36,728,044	-	1,017,130	38,290,593	100
Investments	159,404,615	-	-	106,364,432	265,769,047	-
<i>Receivables:</i>						
Accounts receivable	-	-	-	6,025,527	6,025,527	1,983,427
Assessments receivable	-	131,495,322	-	-	131,495,322	-
Intergovernmental receivables	-	-	1,492,751	384,554	1,877,305	6,038,407
Contracts receivable	-	-	-	4,400,000	4,400,000	-
Mortgages receivable	10,898,920	-	-	-	10,898,920	-
Accrued interest and dividends	9,056,322	-	3,557,468	515,805	13,129,595	-
Notes/loans receivable	-	-	-	-	-	10,000
Trades pending settlement	-	-	-	5,609	5,609	-
Due from other funds	30,898	-	251,541	857,994	1,140,433	6,360,108
Due from fiduciary funds	-	-	-	7,177	7,177	2,723,881
Due from component units	-	-	-	533	533	2,106,221
Inventory	-	-	-	1,451,733	1,451,733	279,585
Prepaid expenses	-	-	-	6,516	6,516	816,626
Deferred outflow of resources	4,647,460	-	-	-	4,647,460	-
<i>Restricted assets:</i>						
Investments	118,335,720	-	-	-	118,335,720	-
Total current assets	303,171,026	168,223,366	81,823,755	165,804,366	719,022,513	139,930,973
Noncurrent assets:						
Investments	292,306,742	-	246,839,652	-	539,146,394	-
<i>Receivables:</i>						
Contracts receivable	-	-	-	14,035,024	14,035,024	-
Mortgages receivable	584,318,629	-	-	-	584,318,629	-
Notes/loans receivable	-	-	23,771,807	-	23,771,807	100,000
Deferred charges	2,973,093	-	1,202,375	94,475	4,269,943	-
<i>Restricted assets:</i>						
Investments	27,456,817	-	-	-	27,456,817	-
Other assets	-	-	-	15,000	15,000	-
<i>Capital assets:</i>						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	22,078,621
Improvements other than buildings	-	-	-	630,647	630,647	713,667
Furniture and equipment	373,523	-	35,280	5,194,663	5,603,466	48,634,512
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	8,476,095	8,476,095	-
Less accumulated depreciation/ amortization	(357,527)	-	(34,135)	(7,288,931)	(7,680,593)	(60,250,222)
Total noncurrent assets	907,071,277	-	271,814,979	25,113,625	1,203,999,881	26,731,342
Total assets	1,210,242,303	168,223,366	353,638,734	190,917,991	1,923,022,394	166,662,315



Enterprise Funds

	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
<i>Accounts payable and accruals:</i>						
Accounts payable	\$ 19,708,882	\$ 31,590,395	\$ 76,892	\$ 1,831,168	\$ 53,207,337	\$ 7,283,029
Accrued payroll and related liabilities	87,034	-	15,317	775,753	878,104	1,296,601
Interest payable	7,543,179	-	1,855,647	29,038	9,427,864	-
Intergovernmental payables	-	-	458,920	13,979	472,899	39,751
Trades pending settlement	-	-	-	53,393	53,393	-
Bank overdraft	-	-	-	-	-	5,580,929
Due to other funds	3,686	216,841	369,049	1,413,260	2,002,836	1,631,322
Due to fiduciary funds	-	-	82,924	89,707	172,631	14,755
Due to component units	-	-	-	29,904	29,904	19,171
Unearned revenues	-	-	-	9,723,495	9,723,495	98,151
Derivative instrument - interest rate swap	4,647,460	-	-	-	4,647,460	-
Other liabilities	-	-	-	11,509	11,509	-
<i>Short-term portion of long-term liabilities:</i>						
Reserve for losses	-	-	-	-	-	51,466,753
Compensated absences	163,450	-	28,054	1,005,788	1,197,292	2,050,229
Benefits payable	-	-	-	10,000,000	10,000,000	-
Bonds payable	14,256,000	-	8,272,806	141,710	22,670,516	513,323
Obligations under capital leases	-	-	-	-	-	1,309,397
Total current liabilities	46,409,691	31,807,236	11,159,609	25,118,704	114,495,240	71,303,411
<i>Noncurrent liabilities:</i>						
Advances from funds	-	-	-	5,351,256	5,351,256	3,480,167
Federal Unemployment Advance	-	438,325,470	-	-	438,325,470	-
Reserve for losses	-	-	-	-	-	28,168,951
Compensated absences	136,141	-	16,285	544,889	697,315	1,132,274
Benefits payable	-	-	-	121,505,000	121,505,000	-
Bonds payable	979,936,615	-	91,238,438	7,229,236	1,078,404,289	7,302,864
Obligations under capital leases	-	-	-	-	-	1,257,774
Arbitrage rebate liability	-	-	63,962	-	63,962	-
Total noncurrent liabilities	980,072,756	438,325,470	91,318,685	134,630,381	1,644,347,292	41,342,030
Total liabilities	1,026,482,447	470,132,706	102,478,294	159,749,085	1,758,842,532	112,645,441
Net Assets						
Invested in capital assets, net of related debt	15,996	-	1,145	3,598,180	3,615,321	16,451,309
<i>Restricted for:</i>						
Security of outstanding obligations	179,974,459	-	-	-	179,974,459	-
Workers' compensation	-	-	-	32,312,658	32,312,658	-
Revolving loans	-	-	251,159,295	-	251,159,295	-
Regulation of business	-	-	-	900,368	900,368	-
Unrestricted (deficit)	3,769,401	(301,909,340)	-	(5,642,300)	(303,782,239)	37,565,565
Total net assets	\$ 183,759,856	\$ (301,909,340)	\$251,160,440	\$ 31,168,906	164,179,862	\$ 54,016,874

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

Net assets of business-type activities

75,846

\$ 164,255,708

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

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



NEVADA

For the Fiscal Year Ended June 30, 2010

Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues						
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,196,083
Sales	-	-	-	13,661,341	13,661,341	2,768,661
Assessments	-	314,656,925	-	23,906,566	338,563,491	-
Charges for services	-	-	137,914	13,894,374	14,032,288	42,083,186
Rental income	-	-	-	165,936	165,936	20,091,594
Interest income on loans/notes	19,329,081	-	8,268,637	-	27,597,718	-
Federal government	-	1,246,970,205	25,988,385	-	1,272,958,590	-
Licenses, fees and permits	-	-	-	3,258,378	3,258,378	-
Fines	-	-	-	2,859,844	2,859,844	-
Other	4,363,870	1,669,396	2,562	3,967,470	10,003,298	4,205,076
Total operating revenues	23,692,951	1,563,296,526	34,397,498	61,713,909	1,683,100,884	436,344,600
Operating Expenses						
Salaries and benefits	2,004,427	-	435,220	28,278,903	30,718,550	32,583,902
Operating	3,970,475	-	9,764,779	12,198,113	25,933,367	35,386,842
Claims and benefits expense	-	2,233,381,579	-	20,360,741	2,253,742,320	251,937,071
Interest on bonds payable	33,236,040	-	-	-	33,236,040	-
Materials or supplies used	-	-	-	2,094,412	2,094,412	1,103,068
Servicers' fees	123,652	-	-	-	123,652	-
Depreciation	17,989	-	1,476	441,686	461,151	5,591,796
Amortization	-	-	-	-	-	857,853
Bond issuance costs amortization	449,839	-	160,417	-	610,256	-
Insurance premiums	-	-	-	-	-	103,990,195
Total operating expenses	39,802,422	2,233,381,579	10,361,892	63,373,855	2,346,919,748	431,450,727
Operating income (loss)	(16,109,471)	(670,085,053)	24,035,606	(1,659,946)	(663,818,864)	4,893,873
Nonoperating Revenues (Expenses)						
Interest and investment income	19,268,879	2,678,819	(321,287)	12,342,332	33,968,743	216,544
Interest expense	-	-	(4,345,698)	(166,000)	(4,511,698)	(118,480)
Bond issuance costs amortization	-	-	-	(3,446)	(3,446)	-
Federal grant revenue	17,756,895	-	-	2,359,495	20,116,390	-
Federal grant expense	(17,557,436)	-	-	-	(17,557,436)	-
Gain (loss) on disposal of assets	-	-	-	3,510	3,510	222,189
Arbitrage rebate	-	-	8,200	-	8,200	-
Total nonoperating revenues (expenses)	19,468,338	2,678,819	(4,658,785)	14,535,891	32,024,263	320,253
Income (loss) before transfers	3,358,867	(667,406,234)	19,376,821	12,875,945	(631,794,601)	5,214,126
Transfers						
Transfers in	-	-	-	429,293	429,293	364,100
Transfers out	-	(4,780,041)	(1,500,657)	(13,509,513)	(19,790,211)	-
Change in net assets	3,358,867	(672,186,275)	17,876,164	(204,275)	(651,155,519)	5,578,226
Net assets, July 1 (as restated)	180,400,989	370,276,935	233,284,276	31,373,181		48,438,648
Net assets, June 30	\$ 183,759,856	\$ (301,909,340)	\$251,160,440	\$31,168,906		\$ 54,016,874

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

Change in net assets of business-type activities 253,018
\$ (650,902,501)

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, 2010

	Enterprise Funds					Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	
Cash flows from operating activities						
Receipts from customers and users	\$ 12,856,524	\$ 305,009,527	\$ 140,604	\$ 56,808,959	\$ 374,815,614	\$ 91,921,826
Receipts for interfund services provided	-	2,995,134	-	3,063,805	6,058,939	267,336,400
Receipts from component units	-	-	-	-	-	76,624,627
Receipts of principal on loans/notes	17,655,701	-	21,691,824	-	39,347,525	5,000
Receipts of interest on loans/notes	19,894,622	-	7,578,693	-	27,473,315	-
Receipts from federal government	-	1,246,970,205	25,358,348	-	1,272,328,553	-
Payments to suppliers, other governments and beneficiaries	(7,310,886)	(2,240,598,197)	(9,105,635)	(18,299,308)	(2,275,314,026)	(382,028,300)
Payments to employees	(1,850,809)	-	(454,701)	(28,187,987)	(30,493,497)	(32,610,580)
Payments for interfund services	(196,382)	-	(130,239)	(5,222,771)	(5,549,392)	(16,616,000)
Payments to component units	-	-	-	(3,507,467)	(3,507,467)	(171,973)
Purchase of loans and notes	(26,931,154)	-	(19,282,688)	-	(46,213,842)	-
Net cash provided by (used for) operating activities	14,117,616	(685,623,331)	25,796,206	4,655,231	(641,054,278)	4,461,000
Cash flows from noncapital financing activities						
Grant receipts	17,756,895	-	-	2,542,286	20,299,181	-
Advances from federal government	-	438,325,470	-	-	438,325,470	-
Proceeds from sale of bonds	149,491,400	-	-	-	149,491,400	-
Transfers and advances from other funds	-	-	-	5,433,829	5,433,829	2,446,412
Principal paid on noncapital debt	(67,081,785)	-	(7,860,000)	-	(74,941,785)	-
Interest paid on noncapital debt	(33,581,352)	-	(4,639,201)	-	(38,220,553)	-
Transfers and advances to other funds	-	(4,709,718)	(1,667,734)	(13,905,501)	(20,282,953)	-
Other noncapital financing activities	(18,190,433)	-	-	-	(18,190,433)	(40)
Net cash provided by (used for) noncapital financing activities	48,394,725	433,615,752	(14,166,935)	(5,929,386)	461,914,156	2,446,372
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	-	-	-	3,510	3,510	226,934
Purchase of capital assets	-	-	-	(298,920)	(298,920)	(2,038,167)
Principal paid on capital debt	-	-	-	(150,090)	(150,090)	(3,694,234)
Interest paid on capital debt	-	-	-	(353,480)	(353,480)	(118,440)
Payments on construction projects	-	-	-	(1,008,466)	(1,008,466)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	(1,807,446)	(1,807,446)	(5,623,907)
Cash flows from investing activities						
Proceeds from sale of investments	470,545,136	-	-	124,427,620	594,972,756	-
Purchase of investments	(551,915,711)	-	-	(136,243,404)	(688,159,115)	-
Interest, dividends and gains (losses)	19,447,636	6,318,572	(36,125)	3,122,979	28,853,062	593,449
Net cash provided by (used for) investing activities	(61,922,939)	6,318,572	(36,125)	(8,692,805)	(64,333,297)	593,449
Net increase (decrease) in cash	589,402	(245,689,007)	11,593,146	(11,774,406)	(245,280,865)	1,876,914
Cash and cash equivalents, July 1	207,689	282,417,051	64,928,849	57,558,892	405,112,481	117,735,804
Cash and cash equivalents, June 30	\$ 797,091	\$ 36,728,044	\$ 76,521,995	\$ 45,784,486	\$ 159,831,616	\$ 119,612,718



	Enterprise Funds				Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	\$ (16,109,471)	\$ (670,085,053)	\$ 24,035,606	\$ (1,659,946)	\$ (663,818,864)	\$ 4,893,873
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	17,989	-	1,476	441,686	461,151	5,591,796
Amortization	-	-	160,417	-	160,417	857,853
Bond issuance costs amortization	449,839	-	-	-	449,839	-
Interest on bonds payable	33,236,040	-	-	-	33,236,040	-
Decrease (increase) in loans and notes receivable	(8,501,496)	-	2,409,136	-	(6,092,360)	5,000
Decrease (increase) in accrued interest and receivables	20,442	(8,321,660)	(1,319,853)	(2,495,082)	(12,116,153)	(540,118)
Decrease (increase) in inventory, deferred charges, other assets	-	-	-	672,335	672,335	(636,684)
Increase (decrease) in accounts payable, accruals, other liabilities	5,004,273	(7,216,618)	509,424	7,696,238	5,993,317	(5,710,720)
Total adjustments	30,227,087	(15,538,278)	1,760,600	6,315,177	22,764,586	(432,873)
Net cash provided by (used for) operating activities	\$ 14,117,616	\$ (685,623,331)	\$ 25,796,206	\$ 4,655,231	\$ (641,054,278)	\$ 4,461,000
Noncash investing, capital and financing activities						
Gain (loss) on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,656
Increase (decrease) in fair value of investments	21,917	-	(901,188)	9,374,278	8,495,007	(200,571)

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

Statement of Fiduciary Net Assets Fiduciary Funds



NEVADA

June 30, 2010

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 29,257,133	\$ 73	\$ 4,773,745	\$ 113,502,269
Cash in custody of other officials	390,365,603	5,969,877	5,320,660	83,989,850
<i>Investments:</i>				
Investments	760,739	963,410,224	5,885,633,932	175,661,293
Fixed income securities	6,199,713,956	-	-	-
Marketable equity securities	7,862,126,972	-	-	-
International securities	5,072,204,652	-	-	-
Mortgage loans	4,378	-	-	-
Real estate	853,999,874	-	-	-
Alternative investments	575,344,723	-	-	-
Collateral on loaned securities	2,942,675,281	-	-	-
<i>Receivables:</i>				
Accrued interest and dividends	97,638,614	1,648,334	7,000	-
Taxes receivable	-	-	-	10,503,877
Trades pending settlement	251,977,372	-	11,666,158	-
Intergovernmental receivables	89,183,954	-	65,333	-
Contributions receivable	-	-	4,710,000	-
Other receivables	-	-	-	33,837,971
Due from other funds	1,253,180	82,924	173,747	369,120,100
Due from fiduciary funds	17,964,909	-	-	11,206,802
Due from component unit	1,312,085	-	-	-
Other assets	2,053,010	-	-	-
Furniture and equipment	35,321,293	-	-	-
Accumulated depreciation	(31,031,992)	-	-	-
Total assets	24,392,125,736	971,111,432	5,912,350,575	797,822,162
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	11,222,200	147,579	1,896,594	-
Accrued payroll and related liabilities	-	-	-	43,901
Intergovernmental payables	-	8,973	13,474	447,142,988
Redemptions payable	-	-	1,954,521	-
Trades pending settlement	372,694,790	5,475,724	15,222,321	-
Bank overdraft	-	-	4,000	-
Obligations under securities lending	3,021,077,050	-	-	-
Due to other funds	2,723,693	454	539,732	-
Due to fiduciary funds	-	-	12,687	29,159,024
<i>Other liabilities:</i>				
Deposits	-	-	-	315,732,893
Other liabilities	-	-	-	5,743,356
Total liabilities	3,407,717,733	5,632,730	19,643,329	797,822,162
Net Assets				
<i>Held in trust for:</i>				
Employees' pension benefits	20,954,512,748	-	-	-
OPEB benefits	29,895,255	-	-	-
Pool participants	-	965,478,702	-	-
Individuals	-	-	5,892,707,246	-
Total net assets	\$ 20,984,408,003	\$ 965,478,702	\$ 5,892,707,246	\$ -

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

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds



NEVADA

For the Fiscal Year Ended June 30, 2010

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
<i>Contributions:</i>			
Employer	\$ 1,321,831,595	\$ -	\$ -
Plan members	99,714,452	-	-
Participants	-	-	1,743,092,803
Repayment and purchase of service	26,890,242	-	-
Total contributions	1,448,436,289	-	1,743,092,803
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	1,427,660,203	(77,526)	450,178,644
Interest, dividends	597,067,096	14,620,191	138,843,674
Net securities lending income	1,726,152	-	-
Other	66,326,682	-	-
	2,092,780,133	14,542,665	589,022,318
Less investment expense:			
Other	(23,910,107)	(9,922)	-
Net investment income	2,068,870,026	14,532,743	589,022,318
<i>Other:</i>			
Investment from local governments	-	785,559,606	-
Reinvestment from interest income	-	1,211,961	-
Other	1,979,997	53	-
Total other	1,979,997	786,771,620	-
Total additions	3,519,286,312	801,304,363	2,332,115,121
Deductions			
Principal redeemed	-	877,250,011	972,973,972
Benefit payments	1,336,702,874	-	17,640,812
Refunds	20,270,764	-	-
Contribution distributions	429,264	-	-
Dividends to investors	-	1,282,640	-
Administrative expense	11,263,655	560,261	21,623,909
Total deductions	1,368,666,557	879,092,912	1,012,238,693
Change in net assets	2,150,619,755	(77,788,549)	1,319,876,428
Net assets, July 1	18,833,788,248	1,043,267,251	4,572,830,818
Net assets, June 30	\$ 20,984,408,003	\$ 965,478,702	\$ 5,892,707,246

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



Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

The *Retirement Benefits Investment Fund* (RBIF) was created by NRS 355.220 (2) for the sole purpose of providing an investment vehicle for monies belonging to either the State or

local government other post employment benefit trust funds. RBIF is administered by the Retirement Benefits Investment Board, which consists of the same members of the Public Employees' Retirement Board.

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

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

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

The *Colorado River Commission* (CRC) is a legally separate entity responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three appointed by the board of directors of the Southern Nevada Water Authority. Bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides services to citizens through the distribution and sale of electric power. As CRC has a separate governing body and does not provide services entirely or almost entirely to the primary government, it is presented discretely in the financial statements.

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

- *Public Employees' Retirement System*
Carson City, NV



(Note 1 Continued)

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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



(Note 1 Continued)

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

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

The State reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

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

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

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

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

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

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

The State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following fund types:

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

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



(Note 1 Continued)

D. Assets, Liabilities and Net Assets/Fund Balance

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

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

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

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

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

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

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

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

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

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

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

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

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

Advances to Other Funds - Long-term interfund advances are recorded by the advancing fund as a receivable and as a reservation of fund balance to maintain the accountability and to disclose properly the amount available for appropriation (unre-



(Note 1 Continued)

served fund balance). Repayments are credited to the receivable and corresponding reductions are made in the reserve. A summary of interfund advances is presented in Note 5.

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

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

In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for buildings, 15 years for land improvements and 3 to 18 years for library books, machinery and equipment. Additional disclosure related to capital assets is provided in Note 7.

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

Deferred Revenues - Deferred revenues in the General Fund consist primarily of refundable gaming taxes and fees and nonexchange transactions for which the revenue is measur-

able but not available. Deferred revenue in the debt service funds consists primarily of amounts due from other governments to retire long-term debt.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 8.

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

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

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

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

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

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

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

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

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



(Note 1 Continued)

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

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

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

E. Intergovernmental Assistance Programs

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

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

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

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

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of \$20,000 which have the affect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or \$50,000, whichever is less. Revisions not exceeding this threshold require only budget director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Fund, a Special Revenue Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$36,907,078 were made in the 2010 fiscal year.

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

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

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

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



Note 3 - Deposits and Investments

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

A. Deposits

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - the State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2010, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled \$57,045,151, of which \$2,677,891 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, 2010 NSHE's deposits in money market funds totaled \$117,128,000 and cash in bank was \$7,390,000. Of these balances, \$250,000 are covered by the Federal Depository Insurance Corporation (FDIC); the remaining deposits are uncollateralized and uninsured.

B. Investments

Nevada Revised Statute (NRS) 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, money market mutual funds whose policies meet the criteria set forth in the statute, United States treasury securities, and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State

from entering into reverse-repurchase agreements. The State's Permanent School Fund is further limited by statute as to the types of investments in which it may invest (NRS 355.060). Cash and Investments are also discussed at Note 1 under Assets, Liabilities and Net Assets/Fund Balance.

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

Investments held in the Local Government Investment Pool (LGIP), Retirement Benefits Investment Fund (RBIF), and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the following tables. LGIP, RBIF, and NVEST are investment trust funds and discussed further under Note 1, Assets, Liabilities and Net Assets/Fund Balance. LGIP and NVEST are governed by the Nevada State Board of Finance and administered by the Nevada 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, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State does not have a written interest rate risk policy. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Capital Aggregate Index benchmark. If securities are purchased outside the Barclays Capital Aggregate Index, they must be of investment grade rating by at least two of Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2010 (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	\$ 4,938,307	\$ 316,214	\$ 1,439,061	\$ 706,995	\$ 2,476,037
Negotiable certificate of deposit	14,999	14,999	-	-	-
U. S. agencies	2,262,181	1,539,676	390,916	36,146	295,443
Mutual funds	7,242	7,242	-	-	-
Asset backed corporate securities	133,761	20,000	73,336	17,685	22,740
Corporate bonds and notes	1,045,868	22,745	22,383	592,729	408,011
Commercial paper	44,999	44,999	-	-	-
Fixed income securities	23,767	23,767	-	-	-
International investments	1,290,621	52,087	474,722	391,204	372,608
Municipal bonds	558,405	-	17,907	30,006	510,492
Investment agreements	38,028	-	-	525	37,503
Other short-term investments	1,043,126	498,426	544,700	-	-
Collateralized mortgage obligations	369,724	1,355	10,020	58,363	299,986
Total	\$ 11,771,028	\$ 2,541,510	\$ 2,973,045	\$ 1,833,653	\$ 4,422,820

Private Purpose Trust - Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. Investments having interest rate risk are all invested in mutual funds with various maturities from 13 days to 9.2 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, 2010 (expressed in thousands):

Less than 1 year	\$ 479,634
1 to 5 years	21,673
6 to 10 years	15,218
More than 10 years	20,486
Total	\$ 537,011

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

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds -

NRS 355.140, the State Treasurer’s investment policy, and investment policies of the pension and other employee benefit trust and investment trust funds all address credit risk. A summary of the policies is presented as follows:

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

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



(Note 3 Continued)

The State's investments as of June 30, 2010 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):

	Quality Rating								
	AAA	AA	A	BBB	BB	B	CCC	CC	Unrated
Negotiable certificate of deposit	\$ -	\$ -	\$ 14,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. agencies	859,007	-	1,334,764	-	-	-	-	-	-
Mutual funds	6,618	-	-	-	-	-	-	-	5,885,662
Asset backed corporate securities	98,977	3,700	23,600	800	-	4,100	500	-	-
Corporate bonds and notes	54,789	194,894	710,067	525,400	20,000	1,200	-	-	12,400
Commerical paper	-	-	44,999	-	-	-	-	-	-
Fixed income securities	-	-	-	-	-	-	-	-	23,679
International investments	447,158	601,255	181,336	43,800	9,451	-	-	-	78,922
Municipal bonds	-	558,405	-	-	-	-	-	-	-
Investment agreements	847	5,701	30,433	-	756	-	-	-	291
Other short-term investments	132,442	-	-	-	-	-	-	-	507,575
Collateralized mortgage obligations	176,797	16,900	29,900	20,800	1,800	8,100	23,500	4,200	26,000
Total	\$ 1,776,635	\$ 1,380,855	\$ 2,370,098	\$ 590,800	\$ 32,007	\$ 13,400	\$ 24,000	\$ 4,200	\$ 6,534,529

As of June 30, 2010, the State of Nevada held debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the State's debt securities will not be known until the bankruptcy proceedings are completed. However, debt obligations of Lehman Brothers Holdings Inc. held by the State were marked to market at June 30, 2010.

Component Unit - the Nevada System of Higher Education's (NSHE) policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2010 is as follows (expressed in thousands):

	Fair Value	Unrated
Mutual funds publicly traded	\$ 204,983	\$ 204,983
Partnerships	186,154	186,154
Equities	6,191	6,191
Endowment cash/cash equivalents	1,406	1,406
Trust(s)	5,264	5,264
Private commingled funds	133,013	133,013
Total	\$ 537,011	\$ 537,011

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, 2010, the following investments exceeded 5% of the Primary Government and Investment Trust Funds' total investments (expressed in thousands):

	Fair Value	Percentage
Primary government		
Federal Farm Credit Bank	\$ 218,637	7.42%
Federal Home Loan Bank	433,130	14.71%
Federal National Mortgage Assoc	356,168	12.09%
Federal Home Loan Mortgage Corp	340,597	11.57%
So Nevada Water Authority	234,840	7.97%
Investment Trust Funds		
Federal National Mortgage Assoc	224,280	23.11%
Federal Home Loan Bank	205,142	21.14%
Federal Home Loan Mortgage Corp	219,984	22.67%

At June 30, 2010, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	\$ 7,087	6.66%
Federal National Mortgage Association	11,859	11.15%



(Note 3 Continued)

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative providers. As of June 30, 2010, the Housing Division's investments in Fannie Mae and Ginnie Mae are 16.24% and 30.24% respectively, of Housing Division's total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Division is less concerned about a concentration risk on these investments.

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

Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds - the primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any deposits or investments in foreign currency. The Public Employees' Retirement System of Nevada, the Legislators' Retirement System of Nevada, the Judicial Retirement System of Nevada, and the Retirement Benefits Investment Fund do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. The following table summarizes the pension and other employee benefit trust funds and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2010 (expressed in thousands):

Currency by Investment and Fair Value					
	Fixed Income	Equity	Derivatives	Cash	Total
Australian Dollar	\$ 9,525	\$ 269,100	\$ -	\$ 2,210	\$ 280,835
British Pound Sterling	86,076	689,000	1,400	4,121	780,597
Canadian Dollar	32,409	-	-	2,810	35,219
Danish Krone	10,229	33,500	1,600	905	46,234
Euro	502,212	980,500	(13,000)	2,513	1,472,225
Hong Kong Dollar	-	84,600	-	500	85,100
Israeli Shekel	-	28,000	-	100	28,100
Japanese Yen	517,062	771,300	(6,200)	10,121	1,292,283
Malaysian Ringgit	2,822	-	-	302	3,124
New Zealand Dollar	-	3,300	-	100	3,400
Norwegian Krone	3,308	23,900	-	201	27,409
Polish Zloty	9,528	-	-	4	9,532
Singapore Dollar	3,911	55,900	-	905	60,716
Swedish Krona	7,421	98,000	-	303	105,724
Swiss Franc	3,418	265,600	-	405	269,423
Total	\$ 1,187,921	\$ 3,302,700	\$ (16,200)	\$ 25,500	\$ 4,499,921

Component Unit - the Nevada System of Higher Education does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$71,151,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2010.

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, 2010 (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 amount PERS owes to borrowers exceeds the amounts the borrowers owe to PERS. PERS has no discretionary authority to sell or pledge collateral received or securities loaned. The contract with the securities lending agent requires the agent to indemnify PERS for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

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

The fair value of underlying securities on loan at June 30, 2010 is \$2,890,340,441. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2010, 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 and Investment Trust Funds - There was no exposure to derivatives as of June 30, 2010.

Public Employees' Retirement System (PERS) - Foreign exchange forward contracts are periodically employed by PERS to hedge currency risk of investments in foreign currencies. No other derivatives are permitted within the PERS portfolio. Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized by PERS typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the "other party" to a contract will default, is managed by 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. PERS derivative transactions for fiscal year 2010 are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				Total
	Purchases	Realized Gain / Loss	Sells	Realized Gain / Loss	Realized Gain / Loss
Australian Dollar	\$ 57,206	\$ 473	\$ (39,822)	\$ 150	\$ 623
British Pound Sterling	155,464	574	(122,798)	(28)	546
Canadian Dollar	14,330	(11)	(2,456)	94	83
Danish Krone	17,016	(16)	(11,870)	27	11
Euro	454,601	709	(347,724)	(481)	228
Hong Kong Dollar	13,511	18	(16,627)	(9)	9
Israeli Shekel	29,403	(123)	-	-	(123)
Japanese Yen	267,825	(19)	(109,972)	(768)	(787)
Malaysian Ringgit	496	3	-	-	3
New Zealand Dollar	932	(9)	(556)	8	(1)
Norwegian Krone	13,385	(1)	(13,161)	(56)	(57)
Polish Zloty	3,845	10	(1,015)	24	34
Singapore Dollar	16,208	(17)	(11,546)	37	20
Swedish Krona	28,694	(116)	(23,604)	(8)	(124)
Swiss Franc	51,229	(43)	(47,597)	(7)	(50)
Total	\$ 1,124,145	\$ 1,432	\$ (748,748)	\$ (1,017)	\$ 415



(Note 3 Continued)

The PERS derivative pending transactions as of June 30, 2010, are summarized in the following table (expressed in thousands):

	Foreign Exchange Contracts				Total Unrealized Gain / Loss
	Purchases	Unrealized Gain / Loss	Sells	Realized Gain / Loss	
British Pound Sterling	\$ 1,384	\$ -	\$ -	\$ -	\$ -
Danish Krone	1,588	-	-	-	-
Euro	8,620	(137)	(21,640)	760	623
Japanese Yen	-	-	(6,223)	(300)	(300)
Total	\$ 11,592	\$ (137)	\$ (27,863)	\$ 460	\$ 323

Management believes that it is unlikely that any of the derivatives in the PERS portfolio 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 portfolio.

Legislators' Retirement System (LRS) and Judicial Retirement System (JRS) - foreign exchange forward contracts are periodically employed by LRS and JRS to hedge currency risk of investments in foreign currencies. There was no exposure to derivatives as of June 30, 2010.

Note 4 - Receivables

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

	Governmental Funds	Nevada System of Higher Education
As shown on financial statements:		
Intergovernmental receivables	\$ 443,355	\$ 39,397
Notes/loans receivable	410	12,359
Due from Component Unit	6,401	-
Total	\$ 450,166	\$ 51,756
Classified:		
Current portion	\$ 310,360	\$ 41,110
Noncurrent portion:		
Intergovernmental receivables	134,057	-
Notes/loans receivable	389	10,646
Due from Component Unit	5,360	-
Total noncurrent portion	139,806	10,646
Total	\$ 450,166	\$ 51,756

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$50 million, and uncollectible accounts receivable are estimated at \$71.6 million. The proprietary funds have \$31.5 million in uncollectible accounts receivable of which \$13.7 million are from uninsured employer's fines and penalties, and \$16.8 million are from unemployment contributions and benefit overpayments.



Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2010, follows (expressed in thousands):

Advances To	Advances From		
	Major Funds		
	General	Consolidated Bond Interest and Redemption	Total
Nonmajor enterprise	\$ 5,351	\$ -	\$ 5,351
Internal service	1,974	1,506	3,480
Total other funds	\$ 7,325	\$ 1,506	\$ 8,831

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, 2010, is shown below (expressed in thousands):

Due From	Due To					
	Major Governmental Funds					
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Nonmajor Governmental	Total Governmental
Major Governmental Funds:						
General	\$ -	\$ 2,824	\$ 4	\$ 260	\$ 60,152	\$ 63,240
State Highway	999	-	-	-	258	1,257
Municipal Bond Bank	9	-	-	409	-	418
Consolidated Bond Interest and Redemption	14	-	-	-	5,083	5,097
Nonmajor governmental	39,056	28	-	3,933	340	43,357
Total Governmental	40,078	2,852	4	4,602	65,833	113,369
Major Enterprise Funds:						
Housing Division	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	217	217
Water Projects Loans	369	-	-	-	-	369
Nonmajor enterprise	1,312	5	-	-	3	1,320
Total Enterprise	1,681	5	-	-	220	1,906
Internal Service	1,064	137	-	151	26	1,378
Total other funds	\$ 42,823	\$ 2,994	\$ 4	\$ 4,753	\$ 66,079	\$ 116,653
Fiduciary	\$ 110	\$ -	\$ -	\$ -	\$ 423	\$ 533
Component Units:						
Nevada System of Higher Education	\$ 540	\$ -	\$ -	\$ 5,775	\$ 86	\$ 6,401
Colorado River Commission	-	-	-	-	-	-
Total Component Units	\$ 540	\$ -	\$ -	\$ 5,775	\$ 86	\$ 6,401



(Note 5 Continued)

	Due To						
	Major Enterprise Funds			Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Water Projects Loans	Nonmajor Enterprise				
Due From							
Major Governmental Funds:							
General	\$ 31	\$ 251	\$ 827	\$ 1,109	\$ 4,921	\$ 69,270	\$ 369,581
State Highway	-	-	23	23	913	2,193	733
Municipal Bond Bank	-	-	-	-	-	418	-
Consolidated Bond Interest and Redemption	-	-	-	-	-	5,097	-
Nonmajor governmental	-	-	1	1	183	43,541	129
Total Governmental	31	251	851	1,133	6,017	120,519	370,443
Major Enterprise Funds:							
Housing Division	-	-	-	-	4	4	-
Unemployment Comp	-	-	-	-	-	217	-
Water Projects Loans	-	-	-	-	-	369	83
Nonmajor enterprise	-	-	4	4	89	1,413	90
Total Enterprise	-	-	4	4	93	2,003	173
Internal Service	-	-	3	3	250	1,631	15
Total other funds	\$ 31	\$ 251	\$ 858	\$ 1,140	\$ 6,360	\$ 124,153	\$ 370,631
Fiduciary	\$ -	\$ -	\$ 7	\$ 7	\$ 2,724	\$ 3,264	\$ 29,172
Component Units:							
Nevada System of Higher Education	\$ -	\$ -	\$ 1	\$ 1	\$ 2,103	\$ 8,505	\$ 1,312
Colorado River Commission	-	-	-	-	3	3	-
Total Component Units	\$ -	\$ -	\$ 1	\$ 1	\$ 2,106	\$ 8,508	\$ 1,312

	Due To		
	Component Units		
	Nevada System of Higher Education	Colorado River Commission	Total Component Units
Due From			
Primary Government:			
Governmental Activities for long term receivable	\$ 31,808	\$ -	\$ 31,808
Major Governmental Funds:			
General	9,457	30	9,487
State Highway	209	-	209
Nonmajor governmental	58,810	-	58,810
Total Governmental Funds	68,476	30	68,506
Nonmajor enterprise	30	-	30
Internal Service	19	1	20
Total	\$ 100,333	\$ 31	\$ 100,364

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. An exception is the long term receivable due to the Nevada System of Higher Education (NSHE) from the Primary Government in the amount of \$31,808,146. This represents the remaining amount of State of Nevada general obligation bonds that may be issued, as authorized during the 2009 Legislative Session, for NSHE capital improvements.

(Note 5 Continued)

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2010, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Nonmajor Governmental	Total Governmental
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 10,577	\$ 9	\$ 15,000	\$ 151,323	\$ 176,909
State Highway	382	-	-	-	1,403	1,785
Consolidated Bond Interest and Redemption	2,668	-	30,600	-	13,928	47,196
Nonmajor governmental	107,788	3,264	-	-	1,381	112,433
Total Governmental	110,838	13,841	30,609	15,000	168,035	338,323
Nonmajor enterprise	429	-	-	-	-	429
Internal Service	204	-	-	-	160	364
Total other funds	\$ 111,471	\$ 13,841	\$ 30,609	\$ 15,000	\$ 168,195	\$ 339,116

	Transfers Out/To				
	Major Enterprise Fund				
	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Total Other Funds
Transfers In/From					
Major Governmental Funds:					
General	\$ -	\$ 1,501	\$ 13,413	\$ 14,914	\$ 191,823
State Highway	-	-	-	-	1,785
Consolidated Bond Interest and Redemption	-	-	-	-	47,196
Nonmajor governmental	4,780	-	96	4,876	117,309
Total Governmental	4,780	1,501	13,509	19,790	358,113
Nonmajor enterprise	-	-	-	-	429
Internal Service	-	-	-	-	364
Total other funds	\$ 4,780	\$ 1,501	\$ 13,509	\$ 19,790	\$ 358,906

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. The exceptions were:

1. Transfer to the General Fund of \$122 million from certain funds and accounts to offset the difference between projected revenues and collections.
2. Transfer of \$24.7 million from the Retirement Benefits Investment Fund to the State Retirees' Health and Welfare Benefits Fund to pay a portion of the costs for health and welfare benefits for state retirees during fiscal year 2010-2011.
3. Transfer of \$41.3 million from the General Fund to the Stabilize the Operations of State Government ("Rainy Day") fund.

The Nevada Legislature approved the first and second transfer during the 26th Special Session (2010), and the third transfer was triggered when the General Fund unrestricted fund balance reached a certain level as defined by statute.

In addition, the Nevada Legislature approved appropriations for the support of the Nevada System of Higher Education (NSHE), a component unit. Net payments to NSHE of \$458.6 million are reported as education and support service expenses in the Statement of Activities and as intergovernmental expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. A corresponding amount is reported as general revenue of NSHE in the Statement of Activities.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2010



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 Assets. The components of restricted assets at June 30, 2010 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	\$ -	\$ -	\$ 19,666
Investments	145,793	145,793	-
Total	\$ 145,793	\$ 145,793	\$ 19,666
Restricted for:			
Debt service	\$ 145,793	\$ 145,793	\$ 3,185
Construction	-	-	10,203
Other purposes	-	-	6,278
Total	\$ 145,793	\$ 145,793	\$ 19,666

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2010, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 137,100	\$ 1,236	\$ -	\$ 138,336
Construction in progress	269,147	94,627	(185,764)	178,010
Infrastructure	3,125,559	38,939	-	3,164,498
Rights-of-way	522,486	70,480	(124)	592,842
Total capital assets, not being depreciated	4,054,292	205,282	(185,888)	4,073,686
Capital assets, being depreciated/amortized				
Buildings	1,325,368	176,409	(2,313)	1,499,464
Improvements other than buildings	113,618	826	-	114,444
Furniture and equipment	375,128	14,345	(18,560)	370,913
Software costs	151,563	750	(455)	151,858
Total capital assets, being depreciated/amortized	1,965,677	192,330	(21,328)	2,136,679
Less accumulated depreciation/amortization for:				
Buildings	(366,104)	(33,254)	1,687	(397,671)
Improvements other than buildings	(59,536)	(4,800)	-	(64,336)
Furniture and equipment	(264,020)	(30,633)	16,837	(277,816)
Software costs	(132,201)	(8,637)	453	(140,385)
Total accumulated depreciation/amortization	(821,861)	(77,324)	18,977	(880,208)
Total capital assets, being depreciated/amortized, net	1,143,816	115,006	(2,351)	1,256,471
Governmental activities capital assets, net	\$ 5,198,108	\$ 320,288	\$ (188,239)	\$ 5,330,157
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	7,687	1,202	(413)	8,476
Total capital assets, not being depreciated	8,255	1,202	(413)	9,044
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	5,403	306	(106)	5,603
Total capital assets, being depreciated	9,423	306	(106)	9,623
Less accumulated depreciation for:				
Buildings	(2,312)	(103)	-	(2,415)
Improvements other than buildings	(551)	(9)	-	(560)
Furniture and equipment	(4,455)	(349)	98	(4,706)
Total accumulated depreciation	(7,318)	(461)	98	(7,681)
Total capital assets, being depreciated, net	2,105	(155)	(8)	1,942
Business-type activities capital assets, net	\$ 10,360	\$ 1,047	\$ (421)	\$ 10,986



(Note 7 Continued)

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

Governmental activities:			
General government		\$	7,174
Education, support services			2,169
Health, social services			10,759
Law, justice, public safety			28,164
Recreation, resource development			6,545
Transportation			13,244
Regulation of business			1,371
Unallocated			1,448
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			6,450
Total depreciation/amortization expense - governmental activities		\$	77,324
Business-type activities:			
Enterprise		\$	461
Total depreciation expense - business-type activities		\$	461

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2010, was as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	\$ 126,858	\$ 13,408	\$ (95,940)	\$ 44,326
Land	81,821	-	(261)	81,560
Intangibles	-	808	-	808
Collections	9,697	76,286	(14)	85,969
Total capital assets, not being depreciated	<u>218,376</u>	<u>90,502</u>	<u>(96,215)</u>	<u>212,663</u>
Capital assets, being depreciated				
Buildings	2,049,840	106,566	(1,339)	2,155,067
Land and improvements	100,648	4,972	(1,163)	104,457
Machinery and equipment	301,212	30,843	(18,370)	313,685
Intangibles	-	6,702	-	6,702
Library books and media	113,118	7,753	(677)	120,194
Total capital assets, being depreciated	<u>2,564,818</u>	<u>156,836</u>	<u>(21,549)</u>	<u>2,700,105</u>
Less accumulated depreciation for:				
Buildings	(494,231)	(51,428)	100	(545,559)
Land and improvements	(75,180)	(3,754)	939	(77,995)
Machinery and equipment	(199,270)	(27,254)	15,959	(210,565)
Intangibles	-	(1,369)	-	(1,369)
Library books and media	(99,101)	(8,854)	667	(107,288)
Total accumulated depreciation	<u>(867,782)</u>	<u>(92,659)</u>	<u>17,665</u>	<u>(942,776)</u>
Total capital assets, being depreciated, net	<u>1,697,036</u>	<u>64,177</u>	<u>(3,884)</u>	<u>1,757,329</u>
Nevada System of Higher Education activity capital assets, net	<u>\$ 1,915,412</u>	<u>\$ 154,679</u>	<u>\$ (100,099)</u>	<u>\$ 1,969,992</u>



Note 8 - Long-Term Obligations

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2010 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,079,805	\$ 142,990	\$ (155,180)	\$ 2,067,615	\$ 131,790
Special obligation bonds	722,880	-	(54,040)	668,840	56,795
Subtotal	2,802,685	142,990	(209,220)	2,736,455	188,585
Issuance premiums on bonds	109,407	3,928	(10,065)	103,270	10,132
Total bonds payable	2,912,092	146,918	(219,285)	2,839,725	198,717
Certificates of participation	58,030	7,900	(9,850)	56,080	605
Issuance premiums on certificates of participation	-	743	(53)	690	98
Total certificates of participation	58,030	8,643	(9,903)	56,770	703
Other Governmental long-term activities:					
Obligations under capital leases	17,916	18,209	(2,279)	33,846	3,232
Compensated absences obligations	102,546	75,476	(74,449)	103,573	70,325
Arbitrage rebate liability	575	2,643	-	3,218	195
Total other governmental long term activities	121,037	96,328	(76,728)	140,637	73,752
Governmental activities long-term obligations	\$ 3,091,159	\$ 251,889	\$ (305,916)	\$ 3,037,132	\$ 273,172
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 113,055	\$ -	\$ (7,995)	\$ 105,060	\$ 8,255
Special obligation bonds	911,783	149,340	(67,079)	994,044	14,251
Subtotal	1,024,838	149,340	(75,074)	1,099,104	22,506
Issuance premiums	1,987	151	(167)	1,971	165
Total bonds payable	1,026,825	149,491	(75,241)	1,101,075	22,671
Compensated absences obligations	1,792	1,464	(1,361)	1,895	1,197
Federal unemployment advance	-	438,325	-	438,325	-
Tuition benefits payable	124,931	11,225	(4,651)	131,505	10,000
Arbitrage rebate liability	72	10	(18)	64	-
Business-type activities long-term obligations	\$ 1,153,620	\$ 600,515	\$ (81,271)	\$ 1,672,864	\$ 33,868

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

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; protection of natural resources; cultural affairs projects; the construction, reconstruction, improvement and maintenance of highways; and for refunding purposes. General obligation bonds are direct obligations and pledge the full faith and credit of the State.

Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation housing bonds in the aggregate have a debt limit of \$5,000,000,000 and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State.

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2010 are comprised of the following (expressed in thousands):



(Note 8 Continued)

	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Principal Outstanding</u>
Governmental activities:			
<i>General obligation bonds:</i>			
Subject to Constitutional Debt Limitation	2.0-7.0%	\$ 1,690,580	\$ 1,375,790
Exempt from Constitutional Debt Limitation	1.6-7.0%	1,428,415	691,825
<i>Special obligation bonds:</i>			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.5-6.0%	963,925	668,840
Subtotal		<u>4,082,920</u>	<u>2,736,455</u>
<i>Issuance premiums</i>		153,950	103,270
Governmental activities bonds payable		<u>4,236,870</u>	<u>2,839,725</u>
Business-type activities:			
<i>General obligation bonds:</i>			
Exempt from Constitutional Debt Limitation	2.0-6.5%	144,180	105,060
<i>Special obligation bonds:</i>			
Housing Bonds	*8-8.02%	1,612,470	994,044
Subtotal		<u>1,756,650</u>	<u>1,099,104</u>
<i>Issuance premiums</i>		3,081	1,971
Business-type activities bonds payable		<u>1,759,731</u>	<u>1,101,075</u>
Total bonds payable		<u>\$ 5,996,601</u>	<u>\$ 3,940,800</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, 2010, 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
2011	\$ 188,585	\$ 131,628	\$ 22,506	\$ 34,305
2012	162,180	122,418	19,847	33,175
2013	179,640	114,270	20,846	32,273
2014	187,515	105,350	21,910	31,307
2015	172,130	96,404	22,338	30,264
2016-2020	834,420	357,660	139,579	133,816
2021-2025	695,100	169,819	155,675	95,949
2026-2030	312,405	23,464	152,083	60,849
2031-2035	3,640	774	204,518	29,716
2036-2040	840	42	162,982	9,325
2041-2045	-	-	150,010	1,500
2046-2050	-	-	2,310	198
2051-2055	-	-	24,500	-
Total	<u>\$ 2,736,455</u>	<u>\$ 1,121,829</u>	<u>\$ 1,099,104</u>	<u>\$ 492,677</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, 2010, the debt limitation and its unused portion are computed as follows (expressed in thousands):



(Note 8 Continued)

Debt limitation (2% of total assessed valuation)	\$ 1,900,366
Less: Bonds and leases payable as of June 30, 2010, subject to limitation	(1,410,211)
Remaining debt capacity	<u>\$ 490,155</u>

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, 2010 is \$31,564,310.

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. Twenty-two projects were funded through the Nevada Municipal Bond Bank as of June 30, 2010, and total investments in local governments amounted to \$311,565,000.

E. Refunded Debt and Redemptions

On November 17, 2009 the State issued General Obligation (Limited Tax) Capital Improvement, Cultural Affairs and Refunding Bonds Series 2009B and General Obligation (Limited Tax) Natural Resources and Refunding Bonds Series 2009C. Series 2009B was issued to refund \$25,365,000 of General Obligation (Limited Tax) Refunding Bonds Series 1999A and \$905,000 General Obligation (Limited Tax) Cultural Affairs Bonds, Series 1998C. Series 2009C was issued to refund \$1,400,000 of General Obligation (Limited Tax) Refunding Bonds, Series 1999B.

On December 10, 2009 the Nevada Real Property Corporation issued \$7,900,000 State of Nevada General Obligation (Limited Tax) Certificates to prepay all of the 1999 Nevada Real Property Corporation Certificates balance of \$8,480,000.

On June 24, 2010 the State issued General Obligation (Limited Tax) (Revenue Supported) Water Refunding Bonds Series 2010B to refund the following General Obligation (Limited Tax) (Revenue Supported) Water Refunding Bonds Series: \$2,210,000 Series 1997B, \$455,000 Series 2003C, \$4,495,000 Series 2006D.

The reacquisition price exceeded the carrying amount of the old debt by \$828,474. This amount is being reported as a deferred charge and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. The refunding increased the aggregate debt service payments by \$440,648; however the State completed the refunding to obtain an economic gain or present value gain of \$2,002,908. In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new

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

At June 30, 2010, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is \$158,514,123. At June 30, 2010, the amount available to service debt in the Highway Revenue Bonds debt service fund is \$35,840,821. At June 30, 2010, the amount available to service the debt in the Municipal Bond Bank special revenue fund is \$311,496,342.

The amount to be provided by other governments of \$131,470,000 is due from the Southern Nevada Water Authority (SNWA). Until January 1, 1996 the Colorado River Commission (CRC), a component unit responsible for managing Nevada's interest in the water and power resources available from the Colorado River, operated the Southern Nevada Water System (SNWS). In accordance with Chapter 393 of the 1995 Legislature, certain rights, powers, duties and liabilities of SNWS were transferred from the State and CRC to the SNWA effective January 1, 1996. These rights, powers, duties and liabilities included, but were not limited to, the State of Nevada general obligation bonds, the existing water user contracts, the Service Contract between CRC and the Las Vegas Valley Water District, and all other contracts related to the SNWS including contracts for capital improvement. Accordingly, the State records the general obligation bonds previously reported in CRC and an associated amount to be provided by other governments in the government-wide financial statements.

G. 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.

H. 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, 2010, include equipment with a historical cost of \$7,894,000 with accumulated depreciation of \$6,223,000, building improvements of \$11,149,000 with accumulated depreciation of \$1,114,000, and construction in progress of \$12,318,577.

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, 2010 follow (expressed in thousands):



(Note 8 Continued)

Year Ending June 30	Governmental Activities
2011	\$ 4,703
2012	3,658
2013	2,888
2014	2,930
2015	3,003
2016-2020	16,384
2021-2025	12,248
2026-2030	48
Total minimum lease payments	45,862
Less: amount representing interest	(12,016)
Obligations under capital leases	\$ 33,846

Year Ending June 30	Principal	Interest
2011	\$ 605	\$ 2,634
2012	1,660	2,563
2013	1,815	2,488
2014	1,975	2,406
2015	2,150	2,314
2016-2020	10,905	10,051
2021-2025	11,655	7,852
2026-2030	17,315	4,638
2031-2035	8,000	594
Total	\$ 56,080	\$ 35,540

I. Certificates of Participation

In fiscal year 2010, the Nevada Real Property Corporation, a blended component unit, issued \$7,900,000 of general obligation certificates of participation at 5.0-5.125% interest to prepay the remaining outstanding balance of the 1999 issue of the Nevada Real Property Corporation. The original 1999 issue of \$15,000,000 was to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility that is currently operating. The 2010 issue is a direct general obligation of the State to which the full faith and credit of the State is pledged. The State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

In fiscal year 2004, the Nevada Real Property Corporation issued \$21,550,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the construction of an office building in Carson City. In fiscal year 2005, the Nevada Real Property Corporation issued \$22,435,000 of Lease Revenue Certificates of Participation at 3.0-5.0% interest to finance the acquisition of a site for and the construction of a new correctional facility in Las Vegas. In fiscal year 2007, the Nevada Real Property Corporation issued \$5,760,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau's existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises. Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State's obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. However, the payment of principal and interest on both issues of certificates is being guaranteed by an insurance policy.

The following schedule presents future certificates of participation payments as of June 30, 2010 (expressed in thousands):

J. 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:

APV of the future tuition obligation	\$131,505,000
Net assets available	121,796,839
Net assets as a percentage of tuition benefits obligation	92.62%

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

	Universities	Community Colleges
Fall 2011	9.81%	9.92%
Fall 2012	0.00%	0.00%
Fall 2013 and later	6.00%	4.00%

K. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2010, and changes for the fiscal year then ended is presented in Section A of this note.

L. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received



(Note 8 Continued)

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, 2010, there are nineteen series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$1,023,805,032. Included in this amount is \$693,861,665 payable from the Las Vegas Monorail Company that filed Chapter 11 bankruptcy protection on January 13, 2010 in order to restructure the company's debt through this process.

M. 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 \$668,840,000 in outstanding Highway Improvement Revenue Bonds that were issued from December 2000 through April 2008 for highway construction projects and property acquisition. Total principal and interest remaining on the bonds is \$888,864,905 payable through December 2025. Upon completion of eligible projects, federal aid of \$237,552,243 is expected to be received in fiscal year 2011. For the current year, principal and interest paid was \$87,915,760, and total motor vehicle fuel and special fuel tax revenues were \$265,537,368.

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; reve-

nues 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.

N. Interest Rate Swap Agreements

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

Terms, Fair Values and Credit Ratings - The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2010 were as follows (expressed in thousands):

Associated Single-Family Bond Issue	Current Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Counter-Party Rating	Fair Value
2006 Issue A	\$ 4,500	09/23/08	4.720%	68% of USD-LIBOR-BBA	04/01/37	Aaa	\$ (577)
2006 Issue B	4,500	09/23/08	4.230%	68% of USD-LIBOR-BBA	10/01/41	Aaa	(502)
2007 Issue A	4,500	09/23/08	4.246%	68% of USD-LIBOR-BBA	04/01/42	Aaa	(547)
2007 Issue B	8,000	10/09/07	4.340%	68% of USD-LIBOR-BBA	04/01/42	Aaa	(1,016)
2008 Issue A	14,700	04/03/08	3.736%	68% of USD-LIBOR-BBA	10/01/39	Aaa	(1,330)
2008 Issue B	7,500	09/25/08	3.670%	68% of USD-LIBOR-BBA	04/01/39	Aaa	(675)
Total Single-Family	\$ 43,700						\$ (4,647)

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

Credit Risk - All of the Housing Division's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Housing Division is exposed to credit risk. Credit risk is the risk that a swap counterparty fails to



(Note 8 Continued)

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

Basis Risk – The Housing Division is exposed to basis risk when the relationship between LIBOR and BMA converges, changing the synthetic rate on the bonds. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated. As of June 30, 2010, the BMA rate was .25% and 68% of the LIBOR was .23694%.

Termination Risk – The Housing Division's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Housing Division or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. The Housing Division views the likelihood of such events to be remote at this time. If at the termination a swap has a negative value, the Housing Division would be liable to the counterparty for a payment equal to the fair value of such swap.

Rollover Risk – The Housing Division is exposed to rollover risk on swaps that mature or may be terminated at the counter-

party's option prior to the maturity of the associated debt. As of June 30, 2010, the Division is not exposed to any rollover risk.

Swap Payments and Associated Debt - Using interest rates as of June 30, 2010, debt service requirements of the Housing Division's outstanding variable-rate debt and net swap payments are as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Swaps, Net	Total
2011	\$ -	\$ 109	\$ 1,662	\$ 1,771
2012	-	109	1,662	1,771
2013	-	109	1,662	1,771
2014	-	109	1,662	1,771
2015	-	109	1,662	1,771
2016-2020	-	546	8,310	8,856
2021-2025	-	546	8,310	8,856
2026-2030	2,490	538	8,185	11,213
2031-2035	13,580	436	6,723	20,739
2036-2040	24,280	160	2,302	26,742
2041-2045	3,350	4	58	3,412
Total	\$ 43,700	\$ 2,775	\$ 42,198	\$ 88,673

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

O. Federal Unemployment Advance

During fiscal year 2010, the Unemployment Compensation Trust Fund obtained repayable federal advances in the amount of \$438,325,000 from the U.S. Department of Labor in accordance with provisions of Title XII, Section 1201 of the Social Security Act. No interest accrues on these federal advances until after December 31, 2010.

P. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2010, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 517,435	\$ 9,814	\$ (28,397)	\$ 498,852	\$ 19,578
Issuance premiums	11,210	-	(475)	10,735	474
Total bonds payable	528,645	9,814	(28,872)	509,587	20,052
Obligations under capital leases	8,702	1,537	(2,777)	7,462	2,077
Compensated absences obligations	43,072	30,290	(27,321)	46,041	30,897
Total	\$ 580,419	\$ 41,641	\$ (58,970)	563,090	53,026
Discretely presented component units of the NSHE:					
Capital leases				1,251	392
Compensated absences obligations				13	13
Long-term debt				271	86
Total				\$ 564,625	\$ 53,517



(Note 8 Continued)

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

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):

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2010 (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 20,052	\$ 23,052
2012	19,517	22,292
2013	20,005	21,479
2014	21,241	20,606
2015	21,692	19,818
2016-2020	107,953	83,302
2021-2025	89,122	60,435
2026-2030	90,568	39,041
2031-2035	91,517	16,679
2036-2040	27,920	1,804
Total	\$ 509,587	\$ 308,508

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 2,410
2012	1,555
2013	1,528
2014	1,194
2015	959
2016-2019	753
Total minimum lease payments	8,399
Less: amount representing interest	(937)
Obligations under capital leases	\$ 7,462

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2010, and the changes for the year then ended, consist of the following (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 104,060	\$ -	\$ (5,490)	\$ 98,570	\$ 5,770
Issuance premiums	2,904	-	(247)	2,657	247
Issuance discounts	(2)	-	2	-	-
Unamortized refunding charges	(4,796)	-	348	(4,448)	(348)
Total bonds payable	102,166	-	(5,387)	96,779	5,669
Compensated absences obligations	273	164	(128)	309	218
Total	\$ 102,439	\$ 164	\$ (5,515)	\$ 97,088	\$ 5,887

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 5,770	\$ 4,792
2012	6,065	4,482
2013	6,400	4,156
2014	6,735	3,812
2015	7,100	3,450
2016-2020	31,225	11,598
2021-2025	19,140	6,188
2026-2030	16,135	1,430
Total	\$ 98,570	\$ 39,908



Note 9 - Pensions and Other Employee Benefits

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

A. PERS

Plan Description - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost-sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. PERS provides a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. Any government employer in the State may elect to have its regular and police/fire employees covered by PERS. At June 30, 2010, there were 183 participating employers and other contributing entities.

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

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

Summary of Significant Accounting Policies - PERS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute, employee and employer contributions are recognized

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

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

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

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

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2010 were as follows:

	Statutory Rate	
	Employer	Employees
Regular employees:		
Employer-pay plan	21.50%	na
Employee/employer plan (matching rate)	11.25%	11.25%
Police and Fire employees:		
Employer-pay plan	37.00%	na
Employee/employer plan (matching rate)	19.00%	19.00%

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



(Note 9 Continued)

	2010	2009	2008
Primary Government	\$ 164,630	\$ 153,768	\$ 146,754
Component Units:			
Colorado River Commission	470	443	448
Nevada System of Higher Education	28,274	28,030	27,269
Total component units	28,744	28,473	27,717
Total reporting entity	\$ 193,374	\$ 182,241	\$ 174,471
Contributions as % of covered payroll	17%	16%	16%
Percentage of pension costs contributed	100%	100%	100%

B. LRS

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

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

Summary of Significant Accounting Policies - LRS uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable.

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 July 1, 2010, actuarial valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal
<i>Amortization Method:</i>	Year-by-year closed with each amortization period set at 20 years
<i>Asset Valuation Method:</i>	Five year smoothed market
<i>Actuarial Assumptions:</i>	
<i>Investment yield</i>	8%
<i>Projected salary increases</i>	None
<i>Retirement Age for Active Members:</i>	Legislators become fully vested at age 60 with eight years of service with service credit before July 1, 1985, or at age 60 with ten years of service without service credit before July 1, 1985.

(Continued on next page)

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

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

Contributions - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$401,732 for fiscal years 2009 and 2010, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2009, of which \$200,866 (half) was recognized as employer contributions in the fiscal year 2009, and the other half was recognized in fiscal year 2010. Employee contributions of \$61,201 were received in fiscal year 2009, of which, \$30,600 (half) was recorded as employee contributions in the fiscal year 2009, and the remaining \$30,601 was recorded in fiscal year 2010.



(Note 9 Continued)

(Continued from previous page)

Assumed Mortality Rate:

Cost of Living (Post-Retirement) Increases:

- 1983 Group Annuity Mortality Table
- 2% after 3 years of receiving benefits
- 3% after 6 years of receiving benefits
- 3.5% after 9 years of receiving benefits
- 4% after 12 years of receiving benefits
- 5% after 14 years of receiving benefits *
- Cap based on CPI if benefits outpace inflation

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

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

Actuarial Valuation Date	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
1/1/2008	\$ 185	\$ 185	100%	\$ -
1/1/2009	201	201	100%	-
7/1/2010	201	201	100%	-

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the LRS was 74% funded. The actuarial accrued liability for benefits was \$5.6 million, and the actuarial value of assets was \$4.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.4 million, and the ratio of the UAAL to the covered payroll was 411%.

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

C. JRS

Plan Description - The Judicial Retirement System of Nevada (JRS) is the administrator of an agent multiple-employer public employees defined benefit retirement system established in 2001 by the Nevada Legislature. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. As of July 1, 2010, the Supreme Court and ten municipalities in Nevada elected to participate in JRS.

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

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

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

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

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



(Note 9 Continued)

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 deter-

mined by the actuary to pay the normal costs and administrative expenses. Annually, the participating employers pay to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

Actuarial Information – Actuarial valuations of the JRS are prepared annually on a fiscal year basis. Significant actuarial assumptions used in the July 1, 2010 valuation include the following:

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

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 5,043	\$ 3,740	\$ 3,453
Interest on net pension obligation	(40)	(24)	(6)
Adjustment to annual required contribution	116	69	19
Annual pension cost	5,119	3,785	3,466
State contribution made	(4,624)	(3,992)	(3,680)
Increase (decrease) in net pension obligation	495	(207)	(214)
Net pension obligation (asset) at beginning of year	(505)	(298)	(84)
Net pension obligation (asset) at end of year	<u>\$ (10)</u>	<u>\$ (505)</u>	<u>\$ (298)</u>
Percentage of annual pension costs contributed	90%	105%	106%



(Note 9 Continued)

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the JRS was 59% funded. The actuarial accrued liability for benefits was \$80.4 million, and the actuarial value of assets was \$47.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$33.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.3 million, and the ratio of the UAAL to the covered payroll was 217%.

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

D. Other Postemployment Benefits

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

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

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

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

Contributions and Funding Policy - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2009 through June 30, 2010 the rate assessed was 2.296% 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, 2010, the State and its component units contributed \$33,406,435 to the plan, which is 100% of the contractually required contribution. For the year ended June 30, 2009, the State and its component units contributed \$38,683,119 to the plan, including \$32,256,720, which is 100% of the contractually required contribution, and an additional \$6,426,399 to prefund benefits. For the year ended June 30, 2008, the State and its component units contributed \$59,263,078 to the plan, including \$39,590,702, which is 100% of the contractually required contribution, and an additional \$19,672,376 to prefund benefits.



Note 10 - Risk Management

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

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

	Self Insurance Fund	Insurance Premiums Fund
Balance June 30, 2008	\$ 32,634	\$ 43,802
Claims and changes in estimates	238,691	18,999
Claim payments	(235,444)	(17,213)
Balance June 30, 2009	35,881	45,588
Claims and changes in estimates	238,725	13,212
Claim payments	(240,133)	(13,637)
Balance June 30, 2010	\$ 34,473	\$ 45,163
Due Within One Year	\$ 34,473	\$ 16,994

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

There was no insurance coverage for excess liability insurance.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2010. 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 fifteen public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, one hundred twenty-seven public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' Benefit Program Board. The Board is composed of nine members: eight members appointed by the Governor,

and the Director of the Department of Administration or his designee.

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

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

B. Insurance Premiums Fund

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

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy for workers' compensation. For the year ended June 30, 2010, the loss retention for this policy was \$1,500,000. Effective January 1, 2001 NSHE and PERS were excluded from coverage under this policy. Liabilities in the amount of \$35,246,832 as of June 30, 2010 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, 2010.

The Fund is financed by the State. The State has a maximum exposure of \$50,000 through October 1, 2007 and \$75,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. The State statutory tort recovery limit will increase to \$100,000 effective October 1, 2011. Per State statute, if,



(Note 10 Continued)

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, 2010, 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 \$9,647,700 to \$40,118,200 has been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2010 total liabilities exceeded total assets by \$24,131,446. The Fund is liable for approximately \$25,000,000 as of June 30, 2010 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 11 - Fund Balances and Net Assets

A. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$1,147,872,387 of restricted net assets for the primary government of which \$113,961,050 is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances, reserved for other at June 30, 2010, are explained as follows (expressed in thousands):

	General	State Highway	Other Governmental	Total
Fund balances, reserved for other:				
Reserved for prepaid items	\$ 1,677	\$ 12	\$ 99	\$ 1,788
Reserved for noncurrent receivables - notes	387	-	23	410
Reserved for specific purpose private contributions	-	-	165	165
Reserved for legislatively approved allocations	-	-	3,097	3,097
Total fund balances, reserved for other	\$ 2,064	\$ 12	\$ 3,384	\$ 5,460

Governmental fund balances, unreserved, designated, reported in nonmajor funds at June 30, 2010, are explained as follows (expressed in thousands):

	Other Governmental
Fund balances, unreserved, designated, reported in nonmajor:	
Special revenue funds:	
Designated for waiver of furloughs and increased costs associated with compensated absences due to upcoming Legislative Session	\$ 1,200
Capital project funds:	
Designated for approved capital projects	59,943
Total fund balances, unreserved, designated, reported in nonmajor funds	\$ 61,143



(Note 11 Continued)

C. Individual Fund Deficits

Nonmajor Enterprise Funds

Nevada Magazine - The Nevada Magazine Fund accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows an increase in net assets of \$62,561 for the fiscal year ended June 30, 2010, resulting in net liabilities (negative net assets) of \$73,084 at June 30, 2010.

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

paid in advance of enrollment at an institution of higher education. The fund shows an increase in net assets of \$6,755,683 for the fiscal year ended June 30, 2010, resulting in net liabilities (negative net assets) of \$9,708,161 at June 30, 2010.

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 assets of \$4,150,903 for the year ended June 30, 2010, resulting in net liabilities (negative net assets) of \$24,131,446 at June 30, 2010.

Note 12 - Principal Tax Revenues

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

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

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

Modified Business Tax is imposed at a tiered rate for businesses other than financial institutions. If the sum of all taxable wages paid by the employer does not exceed \$62,500 for the calendar quarter, the amount of tax is 0.5% of the sum of the wages. If the sum of all the wages paid by the employer exceeds \$62,500 for the calendar quarter, the tax is \$312.50 plus 1.17% of the amounts the wages exceed \$62,500. Modified Business Tax is imposed on financial institutions at 2% on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In litigation filed against the Department of Taxation, the plaintiff is seeking a declaration that the Live Entertainment Tax is unconstitutional on its face and that they do not have to pay the tax. The Live Entertainment Tax is collected by the Department of Taxation as well as the Gaming Control Board. The Gaming Control Board's collection of the Live Entertainment Tax has not been challenged. Should a refund be granted, the estimated amount to date is \$60.8 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

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



(Note 14 Continued)

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

PERS - The Public Employees’ Retirement System (PERS) has entered into investment funding commitments related to private markets to fund an additional \$533.3 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 Assets. Primary government lease expense for the year ended June 30, 2010 amounted to \$36 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, 2010 (expressed in thousands):

For the Year	
Ending June 30	Amount
2011	\$ 30,214
2012	22,548
2013	16,490
2014	10,341
2015	6,704
2016-2020	7,679
2021-2025	2,100
Total	\$ 96,076

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, 2010, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds

issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date. The present value of the rebatable arbitrage is \$3,282,000 and has been recorded as a liability in the Statement of Net Assets at June 30, 2010. Future calculations might result in different rebatable arbitrage amounts.

Construction Commitments – As of June 30, 2010, the Nevada Department of Transportation had total contractual commitments of approximately \$478.4 million for construction of various highway projects. Other major non-highway construction commitments for the primary government’s budgeted capital projects funds total \$23.3 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2010, NSHE had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, NSHE is obligated to make additional investments in these partnerships of \$4,827,000.

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

The estimated cost to complete property authorized or under construction at June 30, 2010 is \$127,884,000. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

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.

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**Note 15 - Subsequent Events****Primary Government**

Bonds – On December 8, 2010 the State executed purchase agreements for the following bonds, which are scheduled to close on December 21, 2010:

\$121,920,000 Series 2010C General Obligation (Limited Tax), Capital Improvement and Refunding Bonds (subject to the Constitutional Debt Limit)

\$20,170,000 Series 2010D General Obligation (Limited Tax), Natural Resources and Refunding Bonds (not subject to the Constitutional Debt Limit)

\$4,535,000 Series 2010G General Obligation (Limited Tax), Water Pollution Control Revolving Fund Matching Bonds (not subject to the Constitutional Debt Limit)

\$4,625,000 Series 2010H, Subseries 1 (Tax-Exempt) General Obligation (Limited Tax), Water Pollution Control Revolving Fund Leveraged Refunding Bonds (not subject to the Constitutional Debt Limit)

\$3,725,000 Series 2010H, Subseries 2 (Taxable) General Obligation (Limited Tax), Water Pollution Control Revolving Fund Leveraged Refunding Bonds (not subject to the Constitutional Debt Limit)

\$6,235,000 Series 2010I General Obligation (Limited Tax), Safe Drinking Water Revolving Fund Matching and Refunding Bonds (not subject to the Constitutional Debt Limit)

Advances from the Federal Unemployment Account – The State drew repayable advances of \$141.4 million between July 1, 2010 and November 30, 2010. The State has applied for and may still draw up to \$270 million to meet State unemployment insurance obligations through March 31, 2011. Thereafter loan requests may be submitted every 90 days.

Note 16 - Accounting Changes and Restatements

Net assets as of July 1, 2009 have been restated in the enterprise funds and business type activities to reflect a change in the reporting of the WICHE Student Loan Fund (enterprise fund). WICHE Student Loan Fund is no longer part of the primary government, and is reported by the Nevada System of Higher Education (component unit) beginning July 1, 2009. The result is a reduction in beginning net assets of \$2,010,098.

Budgetary Comparison Schedule General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Sources of Financial Resources				
Fund balances, July 1	\$ 477,958,549	\$ 477,958,549	\$ 477,958,549	\$ -
Revenues:				
Sales taxes	831,058,800	758,074,300	784,348,571	26,274,271
Gaming taxes, fees, licenses	856,907,929	793,888,829	789,608,373	(4,280,456)
Intergovernmental	2,169,665,619	2,716,130,421	2,237,855,390	(478,275,031)
Other taxes	1,349,075,833	1,300,239,513	1,325,144,697	24,905,184
Sales, charges for services	223,283,905	217,965,676	181,384,891	(36,580,785)
Licenses, fees and permits	492,775,654	495,435,579	497,356,970	1,921,391
Interest	14,202,179	17,964,032	4,939,938	(13,024,094)
Other	222,125,156	239,550,158	216,116,335	(23,433,823)
Other financing sources:				
Proceeds from sale of bonds	-	16,521,898	16,523,022	1,124
Transfers	292,211,880	750,697,611	694,982,282	(55,715,329)
Reversions from other funds	-	-	3,249,831	3,249,831
Total sources	6,929,265,504	7,784,426,566	7,229,468,849	(554,957,717)
Uses of Financial Resources				
Expenditures and encumbrances:				
Constitutional agencies	291,523,030	478,256,379	400,733,325	77,523,054
Finance and administration	74,959,435	76,962,746	62,961,540	14,001,206
Education	2,667,381,791	2,844,498,591	2,603,053,645	241,444,946
Human services	2,829,480,385	2,983,570,791	2,755,876,129	227,694,662
Commerce and industry	155,188,779	210,394,019	137,448,452	72,945,567
Public safety	434,700,215	528,019,818	400,592,933	127,426,885
Infrastructure	262,374,898	324,844,059	145,193,108	179,650,951
Special purpose agencies	37,878,103	45,180,595	34,563,193	10,617,402
Other financing uses:				
Transfers to other funds	60,028,571	59,501,928	59,501,928	-
Reversions to other funds	-	-	1,175,148	(1,175,148)
Projected reversions	(53,500,000)	(53,500,000)	-	(53,500,000)
Total uses	6,760,015,207	7,497,728,926	6,601,099,401	896,629,525
Fund balances, June 30	\$ 169,250,297	\$ 286,697,640	\$ 628,369,448	\$ 341,671,808



NEVADA

Highway Fund				Municipal Bond Bank			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 295,089,004	\$ 295,089,004	\$ 295,089,004	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
362,396,583	537,052,820	440,919,912	(96,132,908)	-	-	-	-
284,232,340	284,279,760	302,324,379	18,044,619	-	-	-	-
21,725,190	16,323,338	16,130,971	(192,367)	-	-	-	-
165,068,439	161,470,066	177,454,612	15,984,546	-	-	-	-
8,051,793	3,051,793	3,106,451	54,658	30,618,109	30,618,109	30,148,333	(469,776)
44,263,591	33,005,124	37,354,061	4,348,937	-	-	-	-
-	-	-	-	-	-	-	-
15,772,197	21,264,676	14,623,963	(6,640,713)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,196,599,137</u>	<u>1,351,536,581</u>	<u>1,287,003,353</u>	<u>(64,533,228)</u>	<u>30,618,109</u>	<u>30,618,109</u>	<u>30,148,333</u>	<u>(469,776)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
201,540,407	211,291,925	190,318,430	20,973,495	-	-	-	-
720,249,174	935,801,864	744,200,816	191,601,048	-	-	-	-
-	-	-	-	-	-	-	-
89,297,677	94,053,726	94,053,724	2	30,618,109	30,618,109	30,146,884	471,225
-	-	34,335	(34,335)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,011,087,258</u>	<u>1,241,147,515</u>	<u>1,028,607,305</u>	<u>212,540,210</u>	<u>30,618,109</u>	<u>30,618,109</u>	<u>30,146,884</u>	<u>471,225</u>
<u>\$ 185,511,879</u>	<u>\$ 110,389,066</u>	<u>\$ 258,396,048</u>	<u>\$148,006,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,449</u>	<u>\$ 1,449</u>

Notes to Required Supplementary Information Budgetary Reporting



NEVADA

For the Fiscal Year Ended June 30, 2010

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

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

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of September 10 are reported instead of the amounts disclosed in the original budget. The September 10, 2010 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, 2010 budget as permitted by NRS 353.220.

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

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Fund balances (budgetary basis) June 30, 2010	\$ 628,369	\$ 258,396	\$ 1
Adjustments:			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	(13,956)	180	-
Investments not recorded on the budgetary basis	7,826	-	311,565
Accrual of certain other receivables	154,660	4,780	2
Inventory	-	12,309	-
Advances to other funds	8,342	2	-
Accrual of certain accounts payable and other liabilities	(284,281)	-	-
Deferred revenues	(252,429)	(1)	-
Encumbrances	3,074	1,884	-
Other	(17,047)	(6,951)	(72)
Fund balances (GAAP basis) June 30, 2010	<u>\$ 234,558</u>	<u>\$ 270,599</u>	<u>\$ 311,496</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2010, 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)	\$ 628,369
Restricted funds	<u>(317,940)</u>
Unrestricted fund balance (budgetary basis)	<u>\$ 310,429</u>

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

Schedule of Funding Progress Pension Plans



NEVADA

For the Fiscal Year Ended June 30, 2010

Legislator's Retirement System (LRS)

Schedule of Funding Progress - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. During the fiscal year, the Plan changed the actuarial valuation date from a calendar year to a fiscal year to be consistent with the financial statements. A schedule of funding progress follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
01/01/07	\$ 5,884	\$ 4,323	\$ 1,561	73%	\$ 328	476%
01/01/09	5,955	4,229	1,726	71%	351	492%
07/01/10	5,608	4,134	1,474	74%	359	411%

Trends can be affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefits provisions and in actuarial methods and assumptions can also affect trends. Actuarial valuation is performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

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

Judicial Retirement System (JRS)

Schedule of Funding Progress - Actuarial valuations of the JRS are prepared annually on a fiscal year basis to determine State contributions required to fund the system on an actuarial basis. During the fiscal year, the Plan changed the actuarial valuation date from a calendar year to a fiscal year to be consistent with the financial statements. A schedule of funding progress follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
01/01/08	\$ 62,067	\$ 40,076	\$ 21,991	65%	\$ 11,492	191%
01/01/09	67,192	39,764	27,428	59%	11,368	241%
07/01/10	80,447	47,281	33,166	59%	15,315	217%

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

Schedule of Infrastructure Condition and Maintenance Data



NEVADA

For the Fiscal Year Ended June 30, 2010

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 expends certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of approximately 5,300 centerline miles of roads and approximately 1,100 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The State has set a policy that it will maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. During the current reporting period some of the bridge reporting and inspection methodologies changed. In prior years, bridges that were functionally obsolete and not eligible for federal funding were not reported as functionally obsolete. These bridges are now reported as functionally obsolete. In addition, the inspection methodologies have been refined, resulting in an increase of functionally obsolete bridges. These changes caused the State to exceed its 10 percent policy. The State is considering revising its policy to allow for these changes in reporting. 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 2009 condition assessment	82%	82%	87%	56%	21%
Actual results of 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%

Condition Level of the Bridges			
Percentage of substandard bridges			
	2009	2007	2005
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	15%	4%	3%

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)					
	2010	2009	2008	2007	2006
Estimated	\$ 181,054	\$ 124,926	\$ 155,051	\$ 243,191	\$ 207,751
Actual	151,448	121,798	146,507	218,923	196,080

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada (the State), as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 17, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Nevada System of Higher Education and the Colorado River Commission, discretely presented component units; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, and the Retirement Benefits Investment Fund as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Higher Education Tuition Trust Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting:

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

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

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

Compliance and Other Matters:

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

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

Kafoury, Armstrong & Co.

Reno, Nevada
December 17, 2010

Independent Auditor's Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the State of Nevada's (the State's) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the State's major Federal programs for the year ended June 30, 2010. The State's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. As described in our report dated December 17, 2010, portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

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

In our opinion, the State complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 10-6.

Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings 10-1 through 10-5 and 10-7 through 10-32. 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.

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

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

Kafoury, Armstrong & Co.

Reno, Nevada
March 17, 2011

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Agriculture				
Research and Development CLUSTER				
Agricultural Research_Basic and Applied Research	10.001	58-5325-5-691	\$ 25,359	\$ -
Rural Development, Forestry, and Communities	10.672	04-DG-11046000-049	4,229	-
Total Research and Development CLUSTER			29,588	-
Total Department of Agriculture			29,588	-
Department of the Interior				
Research and Development CLUSTER				
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2001	6,311	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2002	25,840	25,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2004	84,185	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	367,322	236,250
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2006	13,200	12,741
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2007	91,507	76,775
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2008	8,613	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2009	25,000	-
Total Research and Development CLUSTER			621,978	350,766
Total Department of the Interior			621,978	350,766
Department of Transportation				
Research and Development CLUSTER				
Highway Planning and Construction	20.205	SFY 10	725,198	-
State Planning and Research	20.515	NV-80-X015-00	356,147	356,147
Total Research and Development CLUSTER			1,081,345	356,147
Total Department of Transportation			1,081,345	356,147
Environmental Protection Agency				
Research and Development CLUSTER				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-98962701-4	4,870	-
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96962801-3	48,627	-
Regional Wetland Program Development Grants	66.461	CD-96973301-0	53,497	-
			23,493	-
Total Research and Development CLUSTER			76,990	-
Total Environmental Protection Agency			76,990	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Education				
Research and Development CLUSTER				
Statewide Data Systems	84.372	R372A070010	\$ 1,578,624	\$ -
Total Research and Development CLUSTER			<u>1,578,624</u>	<u>-</u>
Total Department of Education			<u>1,578,624</u>	<u>-</u>
Department of Health and Human Services				
Research and Development CLUSTER				
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	5 STTMP051009-04	10,183	-
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	5 STTMP051009-05	92,613	-
Total Research and Development CLUSTER			<u>102,796</u>	<u>-</u>
Primary Care Services_Resource Coordination and Development	93.130	1 U68HP11441-02	44,044	-
Primary Care Services_Resource Coordination and Development	93.130	1H5MMC10872-01	55,384	55,384
Primary Care Services_Resource Coordination and Development	93.130	1H5MMC10872-02	185,675	184,477
Total Primary Care Services_Resource Coordination and Development			<u>285,103</u>	<u>239,861</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-03	138,614	123,562
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-04	146,524	138,796
Injury Prevention and Control Research and State and Community Based Programs	93.136	5U17CE924825-04	33,795	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	5U17CE924825-05	78,353	5,000
Total Injury Prevention and Control Research and State and Community Based Programs			<u>397,286</u>	<u>267,358</u>
Child Support Enforcement Research	93.564	90FD013601	38,854	38,854
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199-9/17	368,120	189,128
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LOCMS030180	20,086	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1NOCMS020199-18-00	56,868	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	IXOCMS030409-01	12,150	12,150
Total Research and Development CLUSTER			<u>457,224</u>	<u>201,278</u>
Total Department of Health and Human Services			<u>1,281,263</u>	<u>747,351</u>
Grand Total Research and Development CLUSTER			<u>1,281,263</u>	<u>747,351</u>
			<u>4,669,788</u>	<u>1,454,264</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Agriculture				
Child Nutrition CLUSTER				
School Breakfast Program	10.553	7NV300NV3	\$ 14,962,483	\$ 14,740,070
National School Lunch Program	10.555	7NV300NV3	66,912,369	66,552,124
National School Lunch Program	10.555	SFY10/X/994	7,157,537	7,106,712
			74,069,906	73,658,836
Special Milk Program for Children	10.556	7NV300NV3	95,131	95,131
Summer Food Service Program for Children	10.559	7NV300NV3	1,227,451	1,227,451
Summer Food Service Program for Children	10.559	SFY10/X/994	5,107	5,107
			1,232,558	1,232,558
			90,360,078	89,726,595
Total Child Nutrition CLUSTER				
Emergency Food Assistance CLUSTER				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	480,077	184,306
Emergency Food Assistance Program (Administrative Costs)	10.568	SFY10/X/994	59,808	59,808
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568A	7NV840NV8-0	200,526	-
			740,411	244,114
Emergency Food Assistance Program (Food Commodities)	10.569	SFY10/X/994	4,741,491	4,722,508
ARRA - Emergency Food Assistance Program (Food Commodities)	10.569A	SFY10/X/994	556,603	553,765
			5,298,094	5,276,273
			6,038,505	5,520,387
Total Emergency Food Assistance CLUSTER				
SNAP CLUSTER				
Supplemental Nutrition Assistance Program (SNAP)	10.551	SFY 2010	387,320,917	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV4004NV	16,650,069	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	7NV430NV7	121,029	-
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561A	7NV440NV4-0	1,747,668	-
			18,518,766	-
			405,839,683	-
Total SNAP CLUSTER				
Schools and Roads CLUSTER				
Schools and Roads_Grants to States	10.665	N/A	5,209,154	5,209,154
			5,209,154	5,209,154
Total Schools and Roads CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA		315,424	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1721-CA		10,750	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-0016-CA		147,914	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-0526-CA		12,275	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-0596-CA		67,971	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-1085-CA		153,180	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-8576-1153-CA		24,313	15,627
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1455-CA		13,532	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1541-CA		19,407	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1716-CA		9,847	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1721-CA		46,779	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1950-CA		45,790	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	09-9732-1951-CA		22,971	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-0016-CA		38,490	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-0526-CA		4,272	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-0596-CA		32,487	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-8576-1153-CA		244	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-1541-CA		1,882	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	10-9732-2035-CA		1,959	-
				969,487	15,627
Avian Influenza Indemnity Program	10.029	09-7100-0156-CA		39,833	-
Market Protection and Promotion	10.163	12-25-A-4903		15,573	-
Market Protection and Promotion	10.163	12-25-A-4952		5,916	-
Market Protection and Promotion	10.163	12-25-A-5004		3,727	3,456
Market Protection and Promotion	10.163	12-25-A-5054		7,210	-
Market Protection and Promotion	10.163	12-25-A-5250		6,117	-
				38,543	3,456
Specialty Crop Block Grant Program	10.169	12-25-B-0873		17,280	17,280
Specialty Crop Block Grant Program	10.169	12-25-G-0524		239	-
Specialty Crop Block Grant Program	10.169	12-25-G-0659		29,963	29,963
				47,482	47,243
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0801		36,723	36,711
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-0936		12,433	12,433
				49,156	49,144

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Homeland Security_Agricultural	10.304	07-002558-07	25,627	-
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287	23,978	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV1	174,986	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	41,916,777	-
			42,091,763	-
Child and Adult Care Food Program	10.558	7NV300NV3	4,074,750	4,074,750
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	200,549	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NV3	810,732	810,732
			1,011,281	810,732
Commodity Supplemental Food Program	10.565	7NV810NV1	415,620	357,580
Commodity Supplemental Food Program	10.565	SFY10/X/994	1,555,308	1,555,308
			1,970,928	1,912,888
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	225,722	-
Food Distribution Program on Indian Reservations	10.567	SFY10/X/994	301,317	-
			527,039	-
Senior Farmers Market Nutrition Program	10.576	7NV810NV2	163,014	146,163
Child Nutrition Discretionary Grants Limited Availability	10.579	7NV300NV3	15,450	15,450
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579A	7NV340NV3-0	327,695	327,695
			343,145	343,145
Fresh Fruit and Vegetable Program	10.582	7NV300NV3	649,444	649,444
Cooperative Forestry Assistance	10.664	05-DG-110100000-010	7,381	-
Cooperative Forestry Assistance	10.664	05-DG-110460000-051	303,308	31,697
Cooperative Forestry Assistance	10.664	05-DG-110460000-065	42,779	-
Cooperative Forestry Assistance	10.664	05-FI-110460000-005	87,203	-
Cooperative Forestry Assistance	10.664	06-DG-110100000-019	7,343	-
Cooperative Forestry Assistance	10.664	06-DG-110460000-607	276,257	103,510
Cooperative Forestry Assistance	10.664	07-DG-110460000-604	327,533	63,280
Cooperative Forestry Assistance	10.664	07-DG-110460000-612	43,939	38,039
Cooperative Forestry Assistance	10.664	08-DG-110460000-607	120,592	-
Cooperative Forestry Assistance	10.664	08-DG-110460000-618	137,475	-
Cooperative Forestry Assistance	10.664	09-DG-110460000-601	447,499	-
Cooperative Forestry Assistance	10.664	09-DG-110460000-604	5,145	5,000
Cooperative Forestry Assistance	10.664	09-DG-110460000-607	1,066,329	164,896

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Cooperative Forestry Assistance	10.664	10-FI-11041730-010	\$ 34,605	\$ -
Cooperative Forestry Assistance	10.664	USDA/UF/FFY07/#04	-	-
			2,907,388	406,422
Forest Legacy Program	10.676	06-DG-11046000-601	905	-
Forest Legacy Program	10.676	07-DG-11046000-607	1,647	-
Forest Legacy Program	10.676	08-DG-11046000-604	8,128	-
			10,680	-
Forest Land Enhancement Program	10.677	05-DG-11046000-013	18,613	-
Forest Land Enhancement Program	10.677	06-DG-11010000-012	3,000	-
Forest Land Enhancement Program	10.677	09-DG-1104600000-613	1,604	-
			23,217	-
Forest Health Protection	10.680	09-DG-11046000-610	25,120	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-014	653,947	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-025	126,165	126,107
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-026	627,429	583,244
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-027	306,755	287,115
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-030	26,352	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-032	43,875	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	09-DG-110482B1-035	18,789	-
ARRA - Recovery Act of 2009: Wildland Fire Management	10.688A	10-DG-110482B1-024	79,377	-
			1,882,689	996,466
Lake Tahoe Erosion Control Grant Program	10.690	NDSL Section 108	109,813	109,813
			564,431,797	110,021,429
Total Department of Agriculture				
Department of Commerce				
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-HT-0015	890,440	608,261
			890,440	608,261
Total Department of Commerce				
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-08-2-0824	413,932	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	W19DY-08-2-0137	330,345	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NNNN)	1,796,715	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-10-2-1000	9,411,305	-
ARRA - National Guard Military Operations and Maintenance (O & M) Projects	12.401A	W9124X-09-2-9017	1,696,096	-
			12,904,116	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	\$	\$	\$
Program Title				Expenditures	Payments to Subrecipients	
Community Economic Adjustment Planning Assistance for Joint Land Use Studies		12,610	EN0815-09-01	418	418	418
Total Department of Defense				13,648,811	418	418
Department of Housing and Urban Development						
CDBG_State Administered Small Cities Program CLUSTER						
Community Development Block Grants/State's Program		14,228	B-07-DC-32-0001	1,074,154	1,046,357	1,046,357
Community Development Block Grants/State's Program		14,228	B-08-DC-32-0001	2,729,194	2,587,867	2,587,867
Community Development Block Grants/State's Program		14,228	B-08-MN-32-0001	10,715,087	10,694,159	10,694,159
Community Development Block Grants/State's Program		14,228	B-09-DC-32-0001	903,898	895,160	895,160
				15,422,333	15,223,543	15,223,543
Total CDBG_State Administered Small Cities Program CLUSTER				15,422,333	15,223,543	15,223,543
Emergency Shelter Grants Program		14,231	S-09-DC-32-0001	334,154	334,154	334,154
Shelter Plus Care		14,238	NV0005C9T000801	816,361	-	-
Shelter Plus Care		14,238	NV0006C9T000801	132,322	-	-
Shelter Plus Care		14,238	NV0006C9T000802	35,191	-	-
Shelter Plus Care		14,238	NV0007C9T000801	279,168	-	-
Shelter Plus Care		14,238	NV0018C9T010801	396,889	-	-
Shelter Plus Care		14,238	NV01C401002	41,161	-	-
Shelter Plus Care		14,238	NV01C500001	170,407	-	-
				1,871,499	-	-
HOME Investment Partnerships Program		14,239	M04-SG320100	229,000	229,000	229,000
HOME Investment Partnerships Program		14,239	M05-SG320100	357,434	131,590	131,590
HOME Investment Partnerships Program		14,239	M06-SG320100	81,182	81,182	81,182
HOME Investment Partnerships Program		14,239	M07-SG320100	285,116	285,116	285,116
HOME Investment Partnerships Program		14,239	M08-SG320100	466,777	466,777	466,777
HOME Investment Partnerships Program		14,239	M09-SG320100	54,000	54,000	54,000
				1,473,509	1,247,665	1,247,665
Housing Opportunities for Persons with AIDS		14,241	NVH07-F999	13,582	13,582	13,582
Housing Opportunities for Persons with AIDS		14,241	NVH08-F999	56,927	56,927	56,927
Housing Opportunities for Persons with AIDS		14,241	NVH09-F999	32,476	32,476	32,476
				102,985	102,985	102,985
ARRA - Homeless Prevention and Rapid Re-Housing Program Technical Assistance		14,262A	SFY 10 HPRP	525,826	525,826	525,826
ARRA - Assisted Housing Stability and Energy and Green Retrofit Investments Program		14,318A	86 9/10203	3,979,899	3,979,899	3,979,899
Total Department of Housing and Urban Development				23,710,205	21,414,072	21,414,072

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Department of the Interior					
Fish and Wildlife CLUSTER					
Sport Fish Restoration	15.605		F-20-45	1,399,314	-
Sport Fish Restoration	15.605		F-30-AE-21	350,082	-
Sport Fish Restoration	15.605		F-32-D-19	1,561,243	-
Sport Fish Restoration	15.605		F-38-D-4	700,000	-
Sport Fish Restoration	15.605		F-43-B-1	31,548	-
Sport Fish Restoration	15.605		F-44-B-1	33,882	-
Sport Fish Restoration	15.605		F-45-B-1	48,670	-
Sport Fish Restoration	15.605		F-46-B-1	13,691	-
Sport Fish Restoration	15.605		F-47-B-1	15,502	-
Sport Fish Restoration	15.605		F-49-B-1	142,617	-
Sport Fish Restoration	15.605		F-50-B-1	83,990	-
Sport Fish Restoration	15.605		F-52-B-1	21,000	-
Sport Fish Restoration	15.605		FW-1-CP-10-F	22,213	-
Sport Fish Restoration	15.605		FW-3-T-28-F	243,426	-
Sport Fish Restoration	15.605		FW-4-D-16-F	194,433	-
Sport Fish Restoration	15.605		Y-3-D-1	100,000	-
				4,961,611	-
Wildlife Restoration	15.611		FW-1-CP-10-W	22,213	-
Wildlife Restoration	15.611		FW-3-T-28-W	679,591	-
Wildlife Restoration	15.611		FW-4-D-16-W	919,795	-
Wildlife Restoration	15.611		W-48-R-41	2,212,335	-
Wildlife Restoration	15.611		W-51-HS-34-H	55,318	-
Wildlife Restoration	15.611		W-51-HS-35-H	647,180	-
Wildlife Restoration	15.611		W-58-D-20	558,669	-
Wildlife Restoration	15.611		W-61-D-13	159,335	-
Wildlife Restoration	15.611		W-64-R-10	368,168	-
Wildlife Restoration	15.611		W-67-D-1	255,323	-
				5,877,927	-
				10,839,538	-
Total Fish and Wildlife CLUSTER					
Cultural Resource Management	15.224		FAA060003	17,998	-
Distribution of Receipts to State and Local Governments	15.227		L08AC14110	7,800	-
Distribution of Receipts to State and Local Governments	15.227		SFY 10	220,261	220,261
Distribution of Receipts to State and Local Governments	15.227		SFY 10 Mineral Leases	8,116,846	8,116,846
				8,344,907	8,337,107

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
National Fire Plan - Wildland Urban Interface Community Fire Assistance		15.228	FAA080042	7,500	-
National Fire Plan - Wildland Urban Interface Community Fire Assistance		15.228	FAA080086	145,280	145,280
National Fire Plan - Wildland Urban Interface Community Fire Assistance		15.228	FAA080087	304,897	304,897
National Fire Plan - Wildland Urban Interface Community Fire Assistance		15.228	L08AC13237	134,073	-
				591,750	450,177
Wild Horse and Burro Resource Management		15.229	FAA060180	168,463	-
Wild Horse and Burro Resource Management		15.229	L09AC14023	75,000	-
				243,463	-
Fish, Wildlife and Plant Conservation Resource Management		15.231	FAA060209	12,000	-
Fish, Wildlife and Plant Conservation Resource Management		15.231	FAA070020	19,848	-
				31,848	-
Southern Nevada Public Land Management Act		15.235	07-BVP-01	46	-
Southern Nevada Public Land Management Act		15.235	L09AC15298	36,584	-
Southern Nevada Public Land Management Act		15.235	L09AC15428	171,898	-
				208,528	-
National Fire Plan - Rural Fire Assistance		15.242	L08AC13357	43,880	-
National Fire Plan - Rural Fire Assistance		15.242	L08AC14092	17,250	-
				61,130	-
Water Reclamation and Reuse Program		15.504	04FG204060	48,070	-
Providing Water to At-Risk Natural Desert Terminal Lakes		15.508	R09AP20026	110,303	-
Fish and Wildlife Coordination Act		15.517	06FG202105	2,300	-
Fish and Wildlife Coordination Act		15.517	06FG300024	66,280	-
				70,580	-
Fish and Wildlife Management Assistance		15.608	143204J352	49,470	-
Fish and Wildlife Management Assistance		15.608	84240-7-J003	32,982	-
Fish and Wildlife Management Assistance		15.608	84240-9-G013	2,978	-
Fish and Wildlife Management Assistance		15.608	84320-5-J308	62,258	-
Fish and Wildlife Management Assistance		15.608	84320-8-J512	18,955	-
Fish and Wildlife Management Assistance		15.608	843209J431	8,378	-
Fish and Wildlife Management Assistance		15.608	84420-8-J010	6,956	-
				181,977	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-	Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Program Title						\$	\$
Cooperative Endangered Species Conservation Fund	15.615	E-1-2-1-A				17,629	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-23				106,989	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-1				7,967	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-2				120,845	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-3				55,913	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-4				5,073	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-5				2,698	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-6				20,629	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-3-7				3,155	-
Cooperative Endangered Species Conservation Fund	15.615	EW-3-11				22,967	-
						363,865	-
Wildlife Conservation and Appreciation	15.617	14320-4-J349				67,396	-
Hunter Education and Safety Program	15.626	W-51-HS-35-J				80,000	-
Landowner Incentive	15.633	I-1-2				74,061	-
Landowner Incentive	15.633	I-9-2				131,434	-
						205,495	-
State Wildlife Grants	15.634	FW-1-CP-10-IN				2,471	-
State Wildlife Grants	15.634	FW-3-T-28-IN				103,674	-
State Wildlife Grants	15.634	T-1-1				506,674	-
State Wildlife Grants	15.634	T-3-P-1				87,255	-
State Wildlife Grants	15.634	U-8-R-1				10,226	-
						710,300	-
Migratory Bird Conservation	15.647	10154-6-J103				48,903	-
Historic Preservation Fund Grants-In-Aid	15.904	32-07-21632				115,660	-
Historic Preservation Fund Grants-In-Aid	15.904	32-08-21733				310,964	-
Historic Preservation Fund Grants-In-Aid	15.904	32-09-21834				186,268	-
						612,892	-
Rivers, Trails and Conservation Assistance	15.921	H8360060017				54,869	-
Rivers, Trails and Conservation Assistance	15.921	H8360060018				5,034	-
Rivers, Trails and Conservation Assistance	15.921	H8420090625				17,247	-
						77,150	-
Total Department of the Interior						22,916,093	8,787,284

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Justice				
State and Local Domestic Preparedness Exercise Report	16.009	2010-95	\$ 16,963	\$ -
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2007-RE-CX-0012	231,608	127,752
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2008-RE-CX-0020	276,892	117,394
			508,500	245,146
Juvenile Accountability Incentive Block Grants	16.523	2005-JB-FX-0043	4,539	4,539
Juvenile Accountability Incentive Block Grants	16.523	2006-JB-FX-0048	5,178	5,178
Juvenile Accountability Incentive Block Grants	16.523	2007-JB-FX-0036	10,627	10,627
Juvenile Accountability Incentive Block Grants	16.523	2008-JB-FX-0020	167,649	167,649
Juvenile Accountability Incentive Block Grants	16.523	2009-JB-FX-0018	230,149	182,609
			418,142	370,602
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2008-JF-FX-0016	207,796	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2009-JF-FX-0011	331,638	-
			539,434	-
Title V_Delinquency Prevention Program	16.548	2007-JP-FX-0042	15,771	13,663
National Criminal History Improvement Program (NCHIP)	16.554	2009-RU-BX-K011	4,962	-
Crime Victim Assistance	16.575	2008-VA-GX-0041	1,929,212	1,889,891
Crime Victim Assistance	16.575	2009-VA-GX-0041	1,329,590	1,304,476
			3,258,802	3,194,367
Crime Victim Compensation	16.576	2009-VC-GX-0044	25,859	-
Crime Victim Compensation	16.576	2010-VC-GX-0054	2,245,302	-
ARRA - Crime Victim Compensation	16.576A	2009-SF-B9-0128	544,273	-
			2,815,434	-
Violence Against Women Formula Grants	16.588	2007-WE-AX-0016	171,253	171,162
Violence Against Women Formula Grants	16.588	2008-WF-AX-0054	735,882	708,198
Violence Against Women Formula Grants	16.588	2009-WE-AX-0005	294,184	227,810
ARRA - Violence Against Women Formula Grants	16.588A	2009-EF-S6-0006	645,706	570,385
			1,847,025	1,677,555
Grants to Encourage Arrest Policies	16.590	2009-WE-AX-0010	120,635	8,058
Residential Substance Abuse Treatment for State Prisoners	16.593	2008-RT-BX-0038	22,907	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2009-RT-BX-0045	72,326	-
			95,233	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number					
State Criminal Alien Assistance Program	16.606	2009-G2751-NV-AP				\$ 3,354,386	\$ -
Bulletproof Vest Partnership Grant	16.607	07-BVP-07				354	-
Community Prosecution and Project Safe Neighborhoods	16.609	2008-GP-CX-0084				32,042	27,058
Community Prosecution and Project Safe Neighborhoods	16.609	2009-GP-BX-0010				57,298	-
						89,340	27,058
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0854				484,470	484,470
Public Safety Partnership and Community Policing Grants	16.710	2009CSWX0016				102,131	-
						586,601	484,470
Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0053				350,000	350,000
Enforcing Underage Drinking Laws Program	16.727	2008-AH-FX-0067				218,458	218,458
						568,458	568,458
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0018				54,232	54,232
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0028				113,847	8,044
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0068				218,316	37,704
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0031				4,113	4,113
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0744				15,000	15,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0330				2,103,386	1,975,263
						2,508,894	2,094,356
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	2009-VN-CX-0014				82,481	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2008-CD-BX-0025				13,411	11,634
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2009-CD-BX-0021				57,189	57,135
						70,600	68,769
Congressionally Recommended Awards	16.753	2009-DI-BX-0154				16,372	-
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803A	2009-SU-B9-0043				1,696,592	823,743
						18,614,979	9,576,245
Total Department of Justice							
Department of Labor							
Employment Service CLUSTER							
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-17580-08-55-A-32				634,197	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-19221-09-55-A-32				5,301,405	-
Employment Service/Wagner-Peyser Funded Activities	17.207	MI-17102-08-60-A-32				178,686	-
ARRA - Employment Service/Wagner-Peyser Funded Activities	17.207A	ES-17580-08-55-A-32				2,253,647	-
						8,367,935	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Disabled Veterans' Outreach Program (DVOP)		17.801	DV-19662-10-55-5-32	473,620	-
Disabled Veterans' Outreach Program (DVOP)		17.801	E-9-5-9-5087	181,977	-
				655,597	-
Local Veterans' Employment Representative Program		17.804	DV-19662-10-55-5-32	454,228	-
Local Veterans' Employment Representative Program		17.804	E-9-5-9-5087	176,786	-
				631,014	-
				9,654,546	-
Total Employment Service CLUSTER					
WIA CLUSTER					
WIA Adult Program		17.258	AA-16047-07-55-A-32	120,734	2,074
WIA Adult Program		17.258	AA-17140-08-55-A-32	543,685	-
WIA Adult Program		17.258	AA-18660-09-55-A-32	5,050,379	4,786,283
ARRA - WIA Adult Program		17.258A	AA-17140-08-55-A-32	4,312,560	4,005,068
				10,027,358	8,793,425
WIA Youth Activities		17.259	AA-16047-07-55-A-32	117,428	2,190
WIA Youth Activities		17.259	AA-17140-08-55-A-32	1,840,816	1,536,891
WIA Youth Activities		17.259	AA-18660-09-55-A-32	2,177,426	1,914,014
ARRA - WIA Youth Activities		17.259A	AA-17140-08-55-A-32	6,174,529	5,490,155
				10,310,199	8,943,250
WIA Dislocated Workers		17.260	AA-16047-07-55-A-32	141,527	2,716
WIA Dislocated Workers		17.260	AA-17140-08-55-A-32	2,320,640	2,077,815
WIA Dislocated Workers		17.260	AA-18660-09-55-A-32	5,037,724	3,787,766
WIA Dislocated Workers		17.260	EH-17647-08-55-A-32	79,363	-
WIA Dislocated Workers		17.260	EH-19254-09-55-A-32	272,634	272,634
ARRA - WIA Dislocated Workers		17.260A	AA-17140-08-55-A-32	6,167,546	4,873,519
				14,019,434	11,014,450
				34,356,991	28,751,125
Labor Force Statistics		17.002	LM-18432-09-75-J-32	304,113	-
Labor Force Statistics		17.002	LM-18432-10-75-J-32	830,975	-
				1,135,088	-
Compensation and Working Conditions		17.005	OS-17931-09-75-J-32	10,382	-
Compensation and Working Conditions		17.005	OS-18476-10-75-J-32	46,863	-
				57,245	-
Unemployment Insurance		17.225	U.I. Trust Fund	1,371,587,823	-
Unemployment Insurance		17.225	UI-15817-07-55	12,023	-
Unemployment Insurance		17.225	UI-18039-09-55-A-32	21,163,893	-

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
Unemployment Insurance	17.225	UI-19601-10-55-A-32			\$ 24,203,089	\$ 14,542
ARRA - Unemployment Insurance	17.225A	U.I. Trust Fund			872,099,631	-
ARRA - Unemployment Insurance	17.225A	U.I. Trust Fund Special Administration 2009			1,455,532	-
ARRA - Unemployment Insurance	17.225A	UI-18039-09-55-A-32			1,113,538	-
					2,291,635,529	14,542
Senior Community Service Employment Program	17.235	AD-16146-07-60-A-32			58,720	56,075
Senior Community Service Employment Program	17.235	AD-18721-09-60-A-32			450,734	439,874
ARRA - Senior Community Service Employment Program	17.235A	AD-18379-09-60-A-32			126,306	116,060
					635,760	612,009
Trade Adjustment Assistance	17.245	TA-15902-07-55-A-32			49,850	-
Trade Adjustment Assistance	17.245	TA-17869-09-55-A-32			151,290	-
Trade Adjustment Assistance	17.245	TA-19724-10-55-A-32			494	-
					201,634	-
Work Incentive Grants	17.266	WI-18187-09-75-A-32			191,196	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-17580-08-55-A-32			24,954	-
Work Opportunity Tax Credit Program (WOTC)	17.271	ES-19221-09-55-A-32			60	-
					25,014	-
Temporary Labor Certification for Foreign Workers	17.273	ES-17580-08-55-A-32			38,020	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275A	GJ-19848-10-60-A-32			2,790,240	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275A	GJ-19954-10-60-A-32			2,621	-
					2,792,861	-
Reed Act Distribution	17.299	Reed Act Distribution			3,593,009	-
Occupational Safety and Health_State Program	17.503	SP17743SP9			219,154	-
Consultation Agreements	17.504	CS19382C50			640,500	-
Consultation Agreements	17.504	SP19419SP0			1,023,355	-
					1,663,855	-
OSHA Data Initiative	17.505	DC18106DC0			1,560	-
OSHA Data Initiative	17.505	DC18106DC9			4,228	-
					5,788	-
Mine Health and Safety Grants	17.600	MS-20142-10-55-R-32			235,157	-
Transition Assistance Program	17.807	DV-19662-10-55-5-32			20,590	-
Transition Assistance Program	17.807	E-9-5-9-5087			10,803	-
					31,393	-

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
WIA Dislocated Workers Nat. Res. - TAT	17.999	MI-17102-08-60-A-32	\$ 192,177	\$ -
Total Department of Labor			2,346,664,417	29,377,676
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Capital Investment Grants	20.500	NV-04-0008	97,755	97,755
Federal Transit_Formula Grants	20.507	NV-90-X052	163,838	163,838
Total Federal Transit CLUSTER			261,593	261,593
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	SFY 10	328,772,544	43,447,913
ARRA - Highway Planning and Construction	20.205A	SFY 10	53,437,473	3,291,928
			382,210,017	46,739,841
Recreational Trails Program	20.219	NRT-0001 (001)-2005	125,721	125,721
Recreational Trails Program	20.219	NRT-0001 (001)-2006	97,287	76,206
Recreational Trails Program	20.219	NRT-007	257,364	198,454
Recreational Trails Program	20.219	NRTTP-008	347,688	254,447
Recreational Trails Program	20.219	NRTTP-009	70,650	168,738
			898,710	823,566
Total Highway Planning and Construction CLUSTER			383,108,727	47,563,407
Highway Safety CLUSTER				
State and Community Highway Safety	20.600	US DOT (NHTSA) FFY08	1,971,746	948,581
State and Community Highway Safety	20.600	US DOT (NHTSA) FFY09	2,906,741	589,372
State and Community Highway Safety	20.600	US DOT (NHTSA) FFY10	620,161	620,161
			5,498,648	2,158,114
Total Highway Safety CLUSTER			5,498,648	2,158,114
Transit Services Programs CLUSTER				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-04-0006	57,075	57,075
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	251,568	251,568
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0035	399,152	399,152
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0036	317,000	317,000
			1,024,795	1,024,795

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Job Access_Reverse Commute	20.516	NV-37-X007	\$ 33,049	\$ 33,049
Job Access_Reverse Commute	20.516	NV-37-X015	227,364	227,364
Job Access_Reverse Commute	20.516	NV-37-X016	49,583	49,583
			309,996	309,996
New Freedom Program	20.521	NV-57-X001-00	3,374	3,374
Total Transit Services Programs CLUSTER			1,338,165	1,338,165
Airport Improvement Program	20.106	3-32-000-006	192,835	-
Airport Improvement Program	20.106	3-32-000-008	5,520	-
Airport Improvement Program	20.106	NDOT/Airport Improvement Program	1,650	-
			200,005	-
National Motor Carrier Safety	20.218	27XX32MC083215780	195,713	-
National Motor Carrier Safety	20.218	MC09321000000	1,240,833	-
National Motor Carrier Safety	20.218	MH0932300000000	39,780	-
National Motor Carrier Safety	20.218	MH0932400000000	240,844	-
National Motor Carrier Safety	20.218	MN0932100000000	129,859	-
National Motor Carrier Safety	20.218	MN1032100000000	7,901	-
			1,854,930	-
Commercial Vehicle Information Systems and Networks	20.237	CVISN07	238,732	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X023-00	56,334	56,334
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	597,362	577,362
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	1,479,448	1,439,351
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X026	1,598,558	1,598,558
Formula Grants for Other Than Urbanized Areas	20.509	NV-86-X0001	3,319,162	3,319,162
			7,050,864	6,990,767
Pipeline Safety	20.700	DTPH56-09-G-PHPG26	406,358	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0037-09-01-00	39,605	38,376
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEINV8008160	73,934	72,993
			113,539	111,369
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-09-G-PHPC18	22,500	-
PHMSA Pipeline Safety Program One Call Grant	20.721	DTPH56-10-G-PHPC20	22,500	-
			45,000	-
Total Department of Transportation			400,116,561	58,423,415

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Treasury				
National Foreclosure Mitigation Counseling Program	21.000	PL111-8-95X1350	\$ 273,691	\$ 258,502
ARRA - Housing Tax Credits	21.000A	TPD2009GRNV45	13,963,061	13,963,061
			<u>14,236,752</u>	<u>14,221,563</u>
Total Department of Treasury			<u>14,236,752</u>	<u>14,221,563</u>
Equal Employment Opportunity Commission				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	EECCN090067	338,200	-
			<u>338,200</u>	<u>-</u>
Total Equal Employment Opportunity Commission				
General Services Administration				
Donation of Federal Surplus Personal Property	39.003	SFY 10 Federal Surplus Property	1,944,632	1,513,574
Election Reform Payments	39.011	SFY 10	261,434	-
			<u>2,206,066</u>	<u>1,513,574</u>
Total General Services Administration				
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Partnership Agreements	45.025	09-6100-2053	736,588	548,563
ARRA - Promotion of the Arts - Partnership Agreements	45.025A	09-6188-2098	271,222	249,617
			<u>1,007,810</u>	<u>798,180</u>
Promotion of the Humanities_We the People	45.168	Nevada Humanities 2009-12	2,500	-
Grants to States	45.310	LS-00-08-0029-08	551,666	109,083
Grants to States	45.310	LS-00-09-0029-09	1,374,999	593,665
Grants to States	45.310	LS-00-10-0029-10	14,175	14,175
			<u>1,940,840</u>	<u>716,923</u>
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0023-06	64,321	16,517
			<u>3,015,471</u>	<u>1,531,620</u>
Total National Foundation on the Arts and the Humanities				
Department of Veterans Affairs				
Grants to States for Construction of State Home Facilities	64.005	V.A. Homes SFY 10	6,500	-
State Cemetery Grants	64.203	NV 02-09-02	792,716	-
			<u>799,216</u>	<u>-</u>
Total Department of Veterans Affairs				
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-96963510-0	229,071	-
Clean School Bus USA	66.036	EM-83296601-0	263,110	-
State Clean Diesel Grant Program	66.040	DS-96965801-2	280,325	-
ARRA - State Clean Diesel Grant Program	66.040A	2D-00T06801-2	1,700,937	1,697,370
			<u>1,981,262</u>	<u>1,697,370</u>

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number	\$	\$
Region 9 Multi-Media and Geographic Priority Projects	66.117	R9-98944001	4,882	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933606	1,122,187	1,122,187
Water Pollution Control_State and Interstate Program Support	66.419	I-98972809	183,831	183,831
			1,306,018	1,306,018
State Public Water System Supervision	66.432	F-00910510-1	824,000	76,152
State Underground Water Source Protection	66.433	G-00945609	85,500	-
Water Quality Management Planning	66.454	C6-97965909	10,909	10,909
Water Quality Management Planning	66.454	C6-97965910	35,173	-
ARRA - Water Quality Management Planning	66.454A	2P-00T05209-0	121,187	45,000
			167,269	55,909
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-03	180,134	141,456
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-04	215,593	215,593
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-05	290,041	290,041
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-06	943,282	768,499
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-07	28,336	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-08	3,850,334	3,850,334
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-09	2,572,341	2,572,341
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-10	4,007	4,007
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458A	2W32000209	5,524,317	5,519,993
			13,608,385	13,362,264
Nonpoint Source Implementation Grants	66.460	C9-97908105	497,637	497,637
Nonpoint Source Implementation Grants	66.460	C9-97908107	321,875	306,095
Nonpoint Source Implementation Grants	66.460	C9-97908108	293,923	276,290
Nonpoint Source Implementation Grants	66.460	C9-97908109	849,296	66,433
Nonpoint Source Implementation Grants	66.460	C9-97908110	53,137	53,137
			2,015,868	1,199,592
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996006	179,457	128,168
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996007	1,233,168	1,215,600
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996008	1,754,121	73,516
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996010	353,291	40,394
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468A	2F00T04909	8,859,964	8,820,404
			12,380,001	10,278,082

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT-96900301	\$ 127,232	\$ -
Water Protection Grants to the States	66.474	WP-96957901-1	80,023	52,189
Water Protection Grants to the States	66.474	WP-97941201-5	27,271	27,271
			107,294	79,460
Performance Partnership Grants	66.605	BG-97958808	1,509,933	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83260801	10,004	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83303601	991	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83348201	71,228	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83423201-0	30,000	-
			112,223	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915409-1	22,214	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915410-0	259,136	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959509-0	4,462	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959510-0	24,911	-
			310,723	-
Multi-media Capacity Building Grants for States and Tribes	66.709	EA-96991101	84,691	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	L-00T09601-0	249,077	75,000
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-00T09401-0	528,414	82,000
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805A	2L-00T20501-0	502,124	-
			1,030,538	82,000
State and Tribal Response Program Grants	66.817	RP-00T10001-0	493,345	-
Environmental Policy and State Innovation Grants	66.940	EI-96901101	62,894	-
			36,953,316	28,211,847
Total Environmental Protection Agency				
Department of Energy				
State Energy Program	81.041	DE-FG26-05R021610	239,866	45,000
ARRA - State Energy Program	81.041A	DE-EE-0000084	1,337,507	390,600
			1,577,373	435,600
Weatherization Assistance for Low-Income Persons	81.042	DE-FG26-RO21683	2,542,538	2,359,674
ARRA - Weatherization Assistance for Low-Income Persons	81.042A	DE-EE-0000081	13,148,642	12,958,903
			15,691,180	15,318,577

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Nuclear Waste Disposal Siting		81.1065	Yucca Mtn FFY2006 Appropriation Act	2,498,239	-
Office of Environmental Waste Processing		81.104	DE-FG08-99NV13568	522,245	-
Office of Environmental Waste Processing		81.104	DE-FG52-99NV13567	540,711	-
				1,062,956	-
State Energy Program Special Projects		81.119	DE-FC51-02R021392	6,058	6,058
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis		81.122A	DE-OE0000068	53,715	-
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis		81.122A	DE-OE0000132	99,886	-
				153,601	-
ARRA - Energy Efficient Appliance Rebate Program (EEARP)		81.127A	DE-EE0001728	1,236,985	-
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)		81.128A	DE-EE0000687	8,152,546	8,058,642
Miscellaneous Federal Activities Actions		81.502	DE-FG52-00NV13804	442,159	442,159
Miscellaneous Federal Activities Actions		81.502	DE-FG52-99NV13569	83,892	89,892
				526,051	532,051
				30,904,989	24,350,928
Total Department of Energy					
Department of Education					
Early Intervention Services (IDEA) CLUSTER					
Special Education-Grants for Infants and Families		84.181	H181A080019	772,657	-
Special Education-Grants for Infants and Families		84.181	H181A090019	2,363,873	1,057
				3,136,530	1,057
ARRA - Special Education - Grants for Infants and Families, Recovery Act		84.393A	H393A090019	1,950,595	-
				5,087,125	1,057
Total Early Intervention Services (IDEA) CLUSTER					
Education of Homeless Children and Youth CLUSTER					
Education of Homeless Children and Youth		84.196	S196A070029	48,173	26,355
Education of Homeless Children and Youth		84.196	S196A080029	201,903	107,745
Education of Homeless Children and Youth		84.196	S196A090029	133,383	131,623
				383,459	265,723
ARRA - Education for Homeless Children and Youth, Recovery Act		84.387A	S387A090029	254,069	254,069
				637,528	519,792
Total Education of Homeless Children and Youth CLUSTER					
Educational Technology State Grants CLUSTER					
Education Technology State Grants		84.318	S318X070028	87,095	87,095
Education Technology State Grants		84.318	S318X080028	1,158,163	1,125,998
Education Technology State Grants		84.318	S318X090028	434,467	402,368
				1,679,725	1,615,461

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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
ARRA - Education Technology State Grants, Recovery Act		84.386A	S386A090028	3,743,264	3,697,268
Total Educational Technology State Grants CLUSTER				5,422,989	5,312,729
Independent Living Services for Older Individ CLUSTER					
Rehabilitation Services, Independent Living Services for Older Individuals Who are Blind		84.177	H177B090028	112,855	-
ARRA - Independent Living Services for Older Individuals Who are Blind, Recovery Act		84.399A	H399A090028	32,572	-
Total Independent Living Services for Older Individ CLUSTER				145,427	-
Independent Living State Grants CLUSTER					
Independent Living State Grants		84.169	H169A090013	312,984	10,350
Independent Living State Grants		84.169	H169A100013	234,738	101,646
				547,722	111,996
ARRA - Independent Living State Grants, Recovery Act		84.398A	H398A090013	140,710	140,628
Total Independent Living State Grants CLUSTER				688,432	252,624
School Improvement Grants CLUSTER					
School Improvement Grants		84.377	S377A070029	155	-
School Improvement Grants		84.377	S377A080029	1,120,945	1,117,821
				1,121,100	1,117,821
Total School Improvement Grants CLUSTER				1,121,100	1,117,821
Special Education CLUSTER					
Special Education_Grants to States		84.027	H027A070043	1,684,463	1,348,778
Special Education_Grants to States		84.027	H027A080043	15,568,590	13,936,278
Special Education_Grants to States		84.027	H027A090043	45,391,310	45,014,423
				62,634,363	60,299,479
Special Education_Preschool Grants		84.173	H173A070046	131,535	131,290
Special Education_Preschool Grants		84.173	H173A080046	729,853	618,914
Special Education_Preschool Grants		84.173	H173A090046	1,299,510	1,283,601
				2,160,898	2,033,805
ARRA - Special Education Grants to States, Recovery Act		84.391A	H391A090043	32,906,470	32,906,470
ARRA - Special Education - Preschool Grants, Recovery Act		84.392A	H392A090046	1,434,574	1,434,574
Total Special Education CLUSTER				99,136,305	96,674,328

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Fiscal Stabilization Fund CLUSTER				
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394A	S394A090029	\$ 184,778,621	\$ 184,778,621
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397A	S397A090029	72,178,069	-
Total State Fiscal Stabilization Fund CLUSTER			256,956,690	184,778,621
Title I, Part A CLUSTER				
Title I Grants to Local Educational Agencies	84.010	S010A070028	144,781	-
Title I Grants to Local Educational Agencies	84.010	S010A080028	10,313,595	8,797,253
Title I Grants to Local Educational Agencies	84.010	S010A090028	56,632,700	55,891,804
			67,091,076	64,689,057
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389A	S389A090028	22,409,488	22,341,996
Total Title I, Part A CLUSTER			89,500,564	87,031,053
Vocational Rehabilitation CLUSTER				
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A090041	4,978,398	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A100041	9,478,936	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST08	32,527	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	Program Income SSAST09	320,698	-
			14,810,559	-
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	84.390A	H390A090041	587,826	-
Total Vocational Rehabilitation CLUSTER			15,398,385	-
Adult Education State Grant Program				
Adult Education_State Grant Program	84.002	V002A070028	9,420	9,420
Adult Education_State Grant Program	84.002	V002A080028	183,100	111,656
Adult Education_State Grant Program	84.002	V002A090028	4,668,663	4,529,954
			4,861,183	4,651,030
Migrant Education_State Grant Program	84.011	S011A070028	17,846	17,846
Migrant Education_State Grant Program	84.011	S011A080028	161,530	161,408
Migrant Education_State Grant Program	84.011	S011A090028	60,762	-
			240,138	179,254
Title I Program for Neglected and Delinquent Children	84.013	S013A070028	2,323	2,068
Title I Program for Neglected and Delinquent Children	84.013	S013A080028	67,291	65,054
Title I Program for Neglected and Delinquent Children	84.013	S013A090028	137,113	137,048
			206,727	204,170

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Career and Technical Education_Basic Grants to States		84.048	V048A070028	1,558	1,558
Career and Technical Education_Basic Grants to States		84.048	V048A080028	1,361,163	768,211
Career and Technical Education_Basic Grants to States		84.048	V048A090028	6,247,866	6,014,915
				7,610,587	6,784,684
Leveraging Educational Assistance Partnership		84.069	N069A090029	85,277	85,277
Leveraging Educational Assistance Partnership		84.069	N069B090025	68,146	68,146
				153,423	153,423
Migrant Education_Coordination Program		84.144	S144F070028	32,226	32,226
Migrant Education_Coordination Program		84.144	S144F080028	114,387	113,076
Migrant Education_Coordination Program		84.144	S144F090028	7,343	-
Migrant Education_Coordination Program		84.144	S144G070028	31,573	8,543
				185,529	153,845
Rehabilitation Services_Client Assistance Program		84.161	H161A090029	63,049	-
Rehabilitation Services_Client Assistance Program		84.161	H161A100029	78,996	-
				142,045	-
Byrd Honors Scholarships		84.185	P185A080030	135,077	135,077
Byrd Honors Scholarships		84.185	P185A090030	156,674	156,674
				291,751	291,751
Safe and Drug-Free Schools and Communities_State Grants		84.186	Q186A070029	1,873	-
Safe and Drug-Free Schools and Communities_State Grants		84.186	Q186A080029	573,460	543,977
Safe and Drug-Free Schools and Communities_State Grants		84.186	Q186A090029	320,139	320,139
Safe and Drug-Free Schools and Communities_State Grants		84.186	Q186B090030	186,460	186,460
				1,081,932	1,050,576
Supported Employment Services for Individuals with Severe Disabilities		84.187	H187A080042	75,625	-
Supported Employment Services for Individuals with Severe Disabilities		84.187	H187A090042	300,000	-
Supported Employment Services for Individuals with Severe Disabilities		84.187	H187A100042	50,706	-
				426,331	-
Even Start_State Educational Agencies		84.213	S213A080029	105,458	103,463
Even Start_State Educational Agencies		84.213	S213A090029	237,525	222,645
				342,983	326,108
Fund for the Improvement of Education		84.215	U215K080262	14,882	1,882
Assistive Technology		84.224	H224A080028	15,539	15,539
Assistive Technology		84.224	H224A090028	353,589	277,297
				369,128	292,836

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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Tech-Prep Education		84.243	V243A080028	21,463	21,463
Tech-Prep Education		84.243	V243A090028	493,620	467,245
				515,083	488,708
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service		84.265	H265A050017	23,181	-
Twenty-First Century Community Learning Centers		84.287	S287A070028	98,992	31,056
Twenty-First Century Community Learning Centers		84.287	S287A080028	3,338,581	3,086,518
Twenty-First Century Community Learning Centers		84.287	S287A090028	1,978,064	1,973,704
				5,415,637	5,091,278
Innovative Education Program Strategies		84.298	S298A070028	165,869	144,649
Special Education_State Program Improvement Grants for Children with Disabilities		84.323	H323A070024	388,550	112,700
Advanced Placement Program		84.330	S330B090011	256,830	256,830
Grants to States for Incarcerated Youth Offenders		84.331	Q331A070029	118,452	-
Grants to States for Incarcerated Youth Offenders		84.331	Q331A080029	174,180	-
				292,632	-
Gaining Early Awareness and Readiness for Undergraduate Programs		84.334	P334S060002	1,562,818	1,314,369
Reading First State Grants		84.357	S357A070029	1,532,242	1,470,211
Reading First State Grants		84.357	S357A080029	1,938,848	1,714,501
				3,471,090	3,184,712
English Language Acquisition Grants		84.365	S365A070028	113,075	27,060
English Language Acquisition Grants		84.365	S365A080028	1,641,578	1,481,745
English Language Acquisition Grants		84.365	S365A090028	4,765,826	4,765,826
				6,520,479	6,274,631
Mathematics and Science Partnerships		84.366	S366A070029	9,541	9,541
Mathematics and Science Partnerships		84.366	S366A080029	790,047	728,814
Mathematics and Science Partnerships		84.366	S366A090029	167,915	157,416
				967,503	895,771
Improving Teacher Quality State Grants		84.367	S367A070027	28,398	28,398
Improving Teacher Quality State Grants		84.367	S367A090027	11,949,519	11,828,447
				11,977,917	11,856,845

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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Grants for Enhanced Assessment Instruments	84.368	S368A080005	\$ 1,198,560	\$ 1,198,560
Grants for State Assessments and Related Activities	84.369	S369A070029	5,556	-
Grants for State Assessments and Related Activities	84.369	S369A080029	4,571,282	2,172
Grants for State Assessments and Related Activities	84.369	S369A090029	1,453,567	-
			6,030,405	2,172
Total Department of Education			528,807,738	420,598,809
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	NAR09-RC-10064-09	4,244	-
			4,244	-
Total National Archives and Records Administration				
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	HAVA - SFY 10	1,095,694	-
Help America Vote Mock Election Program	90.402	E4058798C	13,720	-
			1,109,414	-
Total Election Assistance Commission				
Department of Health and Human Services				
Aging CLUSTER				
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	09-AA-NV-T3SP	2,713,990	2,670,485
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	10AANVT3SP	416,815	88,640
			3,130,805	2,759,125
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	08-AA-NV-T3SP	346,970	346,970
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	09-AA-NV-T3SP	1,963,210	1,733,277
Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	10AANVT3SP	2,062,335	1,421,762
			4,372,515	3,502,009
Nutrition Services Incentive Program	93.053	08AANVNSIP	14,561	14,561
Nutrition Services Incentive Program	93.053	09AANVNSIP	495,676	495,676
Nutrition Services Incentive Program	93.053	10AANVNSIP	600,986	600,986
			1,111,223	1,111,223
ARRA - Aging Home-Delivered Nutrition Services for States	93.705A	09AANVC2RR	242,168	242,168
ARRA - Aging Congregate Nutrition Services for States	93.707A	09AANVC1RR	483,464	410,014
			9,340,175	8,024,539
Total Aging CLUSTER				
CCDF CLUSTER				
Child Care and Development Block Grant	93.575	G0901NVCCDF	6,942,012	-
Child Care and Development Block Grant	93.575	G1001NVCCDF	3,973,391	-
			10,915,403	-

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596	G0901NVCCDF	3,750,669	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596	G1001NVCCDF	12,850,859	-
				16,601,528	-
ARRA - Child Care and Development Block Grant		93.713A	G0901NVCCD7	8,378,370	-
				35,895,301	-
Total CCDF CLUSTER					
CSBG CLUSTER					
Community Services Block Grant		93.569	G-09B1NVCOSR	2,478,594	2,440,471
Community Services Block Grant		93.569	G-10B1NVCOSR	1,236,413	1,108,785
				3,715,007	3,549,256
ARRA - Community Services Block Grants		93.710A	G-0901NVCOS2	4,063,065	4,053,065
				7,768,072	7,602,321
Total CSBG CLUSTER					
Head Start CLUSTER					
Head Start		93.600	09CD0009/04	62,070	9,572
				62,070	9,572
Total Head Start CLUSTER					
Immunization CLUSTER					
Immunization Grants		93.268	5H231P922549-07	1,476,161	902,925
Immunization Grants		93.268	5H231P922549-08	1,147,295	693,584
Immunization Grants		93.268	Direct Assistance	25,041,077	-
				27,664,533	1,596,509
ARRA - Immunization		93.712A	ARRA - Direct Assistance	1,006,529	-
				28,671,062	1,596,509
Total Immunization CLUSTER					
Medicaid CLUSTER					
State Medicaid Fraud Control Units		93.775	01-0901-NV-5050	186,747	-
State Medicaid Fraud Control Units		93.775	01-1001-NV-5050	1,015,723	-
				1,202,470	-
State Survey and Certification of Health Care Providers and Suppliers		93.777	05-0905-NV-5000	412,625	-
State Survey and Certification of Health Care Providers and Suppliers		93.777	05-0905-NV-5002	40,255	-
State Survey and Certification of Health Care Providers and Suppliers		93.777	05-1005-NV-5000	1,264,584	-
State Survey and Certification of Health Care Providers and Suppliers		93.777	05-1005-NV-5002	84,386	-

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FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Survey and Certification of Health Care Providers and Suppliers	93.777	5-0905NV5001	\$ 116,004	\$ -
State Survey and Certification of Health Care Providers and Suppliers	93.777	5-1005NV5001	350,005	-
Medical Assistance Program	93.778	05-0905NV5028	2,267,859	-
Medical Assistance Program	93.778	05-1005NVQUAL	185,555,176	-
Medical Assistance Program	93.778	5-0905NV5048	2,461,897	-
Medical Assistance Program	93.778	5-1005NV5ADM	12,037,758	-
Medical Assistance Program	93.778	5-1005NV5MAP	38,717,617	-
ARRA - Medical Assistance Program	93.778A	05-0905NVARRA (MAP)	563,503,079	-
ARRA - Medical Assistance Program	93.778A	05-0905NVMDSH	47,054,988	-
ARRA - Medical Assistance Program	93.778A	05-1005NVARRA	1,132,659	-
ARRA - Medical Assistance Program	93.778A	5-1005NVHITA	142,460,135	-
			7,298	-
			992,930,607	-
			996,400,936	-
Total Medicaid CLUSTER				
TANF CLUSTER				
Temporary Assistance for Needy Families	93.558	G-0902NVTANF	28,863,833	-
Temporary Assistance for Needy Families	93.558	G-1002NVTANF	12,472,778	-
			41,336,611	-
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714A	G0901NVTAN2	4,848,052	-
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714A	G1001NVTAN2	9,797,456	-
			14,645,508	-
ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716A	G1002NVTAN2	150,000	-
Total TANF CLUSTER			56,132,119	-
Special Programs for the Aging, Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	09-AA-NV-T7SP	9,849	947
Special Programs for the Aging, Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	10AANVT7SP	24,792	-
			34,641	947
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	09-AA-NV-T7SP	40,061	15,467
Special Programs for the Aging, Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	10AANVT7SP	85,461	2,115
			125,522	17,582

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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients	Subrecipients
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	09-AA-NV-T3SP	\$ 144,757	\$ 144,757	144,757
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	10AANVT3SP	5,409	5,409	5,409
			150,166	150,166	150,166
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90 AM 3056	57,550	-	-
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90AM3004/01	68,563	48,968	48,968
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90AM3164/03	100,000	100,000	100,000
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90DR0042/01	64,424	21,662	21,662
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90MP0019/01	150,729	-	-
Special Programs for the Aging_ Title IV_ and Title II_Discretionary Projects	93.048	90MP0019/02	12,890	-	-
			454,156	170,630	170,630
Alzheimer's Disease Demonstration Grants to States	93.051	90AE0333/01	88,997	76,308	76,308
Alzheimer's Disease Demonstration Grants to States	93.051	90AI0019/01	36,480	34,050	34,050
			125,477	110,358	110,358
National Family Caregiver Support	93.052	08-AA-NV-T3SP	22,884	22,884	22,884
National Family Caregiver Support	93.052	09-AA-NV-T3SP	934,928	934,928	934,928
National Family Caregiver Support	93.052	10AANVT3SP	164,870	164,870	164,870
			1,122,682	1,122,682	1,122,682
Public Health Emergency Preparedness	93.069	1H75TP000337-01	8,466,111	7,143,848	7,143,848
Public Health Emergency Preparedness	93.069	5 U90/TP916964-08	1,021,459	939,230	939,230
Public Health Emergency Preparedness	93.069	5 U90/TP916964-09	1,618,672	1,328,376	1,328,376
Public Health Emergency Preparedness	93.069	5U90TP916964-10	5,559,648	4,424,030	4,424,030
			16,665,890	13,835,484	13,835,484
Medicare Enrollment Assistance Program	93.071	09AANVMIDR	53,175	53,175	53,175
Lifespan Respite Care Program	93.072	90LR0012/01	26,253	26,166	26,166
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0012/02	384,939	356,330	356,330
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0012/03	682,271	99,840	99,840
			1,067,210	456,170	456,170

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Federal Grantor / Pass-Through Grantor	CFDA	Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Program Title				\$	\$
Emergency System for Advance Registration of Volunteer Health Professionals		93.089	6 U3REP090401-01-02	41,431	37,475
Maternal and Child Health Federal Consolidated Programs		93.110	5 H18MC00032-16	53,248	-
Maternal and Child Health Federal Consolidated Programs		93.110	5 H18MC00032-17-00	43,331	-
				96,579	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs		93.116	2U52PS907855-19	192,203	126,389
Project Grants and Cooperative Agreements for Tuberculosis Control Programs		93.116	5U52PS907855-18	389,225	281,895
				581,428	408,284
Emergency Medical Services for Children		93.127	6 H33MC06694-04	173,000	13,000
Emergency Medical Services for Children		93.127	6 H33MC06694-05	45,645	-
				218,645	13,000
Projects for Assistance in Transition from Homelessness (PATH)		93.150	2X06SM060029-08	180,241	178,452
Projects for Assistance in Transition from Homelessness (PATH)		93.150	2X06SM060029-09	338,303	335,203
				518,544	513,655
Family Planning_Services		93.217	5 FPHPA091175-34	723,264	55,039
Abstinence Education Program		93.235	G-0901NV/AEGP	45,000	45,000
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5 HR1 SM058080-02	28,669	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5 U79 SP011179-05	3,332,569	2,702,337
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5HR1SM058080-03	41,867	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	5HS5SM056551-05	195,571	188,017
				3,598,676	2,890,354
Universal Newborn Hearing Screening		93.251	5 H61MC00096-07	43,870	-
Universal Newborn Hearing Screening		93.251	5 H61MC00096-08	143,992	56,860
				187,862	56,860
State Health Access Program		93.256	6 H2PHS16503-01-01	847,079	769,751
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	1 U58/DP001535-01	25,922	3,193
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	1 U58/DP001535-02	256,616	14,904
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	1U58DP002003-01	14,598	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance		93.283	1U58DP002003-02	174,801	51,433

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Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-	Through Number	Number	Expenditures	Payments to Subrecipients
Program Title					\$	\$
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	3U50C1000489-03S2		93.283	196,522	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	3U58DP002003-01S1		93.283	65,130	56,774
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U50C1000489-03		93.283	542,818	354,724
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5 U51/PS000874-02		93.283	50,473	50,198
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U51PS000874-03		93.283	37,593	21,131
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-02		93.283	114,046	10,219
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5U58DP000804-03		93.283	2,994,674	153,245
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5UR3DD000411-02		93.283	117,003	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	Program Income		93.283	77,981	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	U58/DP002003-01		93.283	1,190,189	784,510
					5,858,366	1,500,331
ARRA - State Primary Care Offices	93.414A	1 U6AHP16573-01-00		93.414A	16,642	-
Promoting Safe and Stable Families	93.556	G-0611NVFPSS		93.556	125,240	106,936
Promoting Safe and Stable Families	93.556	G-0801NVFPSS		93.556	831,060	781,218
Promoting Safe and Stable Families	93.556	G-0811NVFPCV		93.556	3,265	-
Promoting Safe and Stable Families	93.556	G-0901NVFPSS		93.556	766,797	664,925
Promoting Safe and Stable Families	93.556	G-0911NVFPCV		93.556	23,080	23,080
					1,749,442	1,576,159
Child Support Enforcement	93.563	0804NV4004		93.563	1,941,235	1,438,566
Child Support Enforcement	93.563	0904NV4004		93.563	5,612,442	3,039,004
Child Support Enforcement	93.563	1004NV4004		93.563	27,902,982	20,239,022
ARRA - Child Support Enforcement	93.563A	0904NV4002		93.563A	334,977	334,977
ARRA - Child Support Enforcement	93.563A	1004NV4002		93.563A	4,762,554	3,787,142
					40,554,190	28,838,711
Low Income Home Energy Assistance	93.568	G-09B1NVLIEA		93.568	9,635,142	-
Low Income Home Energy Assistance	93.568	G-10B1NVLIEA		93.568	11,412,515	756,315
					21,047,657	756,315
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/04		93.576	37,394	37,394
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/05		93.576	107,606	107,606
					145,000	145,000

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Court Improvement Program	93.586	G-0701NVSCID	\$ 56,598	-
State Court Improvement Program	93.586	G-0701NVSCIP	35,984	-
State Court Improvement Program	93.586	G-0701NVSCIT	22,943	-
State Court Improvement Program	93.586	G-0801NVSCID	65,069	-
State Court Improvement Program	93.586	G-0801NVSCIP	91,906	-
State Court Improvement Program	93.586	G-0801NVSCIT	95,608	-
State Court Improvement Program	93.586	G-0901NVSCIP	48,346	-
			416,454	-
Community-Based Child Abuse Prevention Grants	93.590	G0901NVFRPG	373,032	294,311
Grants to States for Access and Visitation Programs	93.597	0901NVSAVP	55,524	-
Grants to States for Access and Visitation Programs	93.597	G-0801NVSAVP	29,069	-
			84,593	-
Chafee Education and Training Vouchers Program (ETV)	93.599	0801NVCETV	112,477	112,477
Chafee Education and Training Vouchers Program (ETV)	93.599	0901NVCETV	307,768	306,174
			420,245	418,651
Adoption Incentive Payments	93.603	0801NVAI99	104,742	84,205
Adoption Incentive Payments	93.603	0901NVAIPP	1,575	-
			106,317	84,205
Voiting Access for Individuals with Disabilities_Grants to States	93.617	G-0603NVVOTE	28,547	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0801NVADBS	105,492	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0901NVADBS	299,124	148,208
			404,616	148,208
Children's Justice Grants to States	93.643	G-0701NV/CJA1	88,552	81,166
Children's Justice Grants to States	93.643	G-0801NV/CJA1	87,683	37,441
			176,235	118,607
Child Welfare Services_State Grants	93.645	G-0901NV1400	599,671	62,005
Child Welfare Services_State Grants	93.645	G-1001NV1400	1,818,753	186,014
			2,418,424	248,019
Foster Care_Title IV-E	93.658	0901NV1401	7,483,058	6,992,961
Foster Care_Title IV-E	93.658	1001NV1401	26,669,732	21,565,991
ARRA - Foster Care_Title IV-E	93.658A	0901NV1402	866,896	740,029
ARRA - Foster Care_Title IV-E	93.658A	1001NV1402	1,283,501	1,198,726
			36,303,187	30,497,707

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Adoption Assistance	93.659	0901NV1407	\$ 1,941,621	\$ 1,881,337
Adoption Assistance	93.659	1001NV1407	12,419,708	11,844,049
ARRA - Adoption Assistance	93.659A	0901NV1403	843,877	795,857
ARRA - Adoption Assistance	93.659A	1001NV1403	1,373,818	1,287,424
			16,579,024	15,808,667
Social Services Block Grant	93.667	1001NVSOSR	11,391,817	888,477
Social Services Block Grant	93.667	G-0901NVSOS2	1,260,514	1,044,487
Social Services Block Grant	93.667	G-0901NVSOSR	4,694,701	517,543
			17,347,032	2,450,507
Child Abuse and Neglect State Grants	93.669	G-0501NVCA01	10,267	8,526
Child Abuse and Neglect State Grants	93.669	G-0601NVCA01	218,519	112,261
Child Abuse and Neglect State Grants	93.669	G-0701NVCA01	138,333	138,309
			367,119	259,096
Family Violence Prevention and Services/Grants for Battered Women's Shelters_ Grants to States and Indian Tribes	93.671	G-0801NVFVPS	190,621	188,436
Family Violence Prevention and Services/Grants for Battered Women's Shelters_ Grants to States and Indian Tribes	93.671	G-0901NVFVPS	871,550	832,046
			1,062,171	1,020,482
Chafee Foster Care Independence Program	93.674	G-0801NV1420	673,589	671,932
Chafee Foster Care Independence Program	93.674	G-0901NV1420	687,272	639,805
			1,360,861	1,311,737
ARRA - Preventing Healthcare-Associated Infections	93.717A	3U50C1000489-03S1	32,313	-
ARRA - State Grants to Promote Health Information Technology	93.719A	90HT0037/01	81,908	-
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723A	3U58DP002003-01S2	5,889	-
ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725A	90RA0042/01	1,635	-
State Children's Insurance Program	93.767	07-0505NV5021	5,794,592	-
State Children's Insurance Program	93.767	08-0505NV5021	18,041,276	-
			23,835,868	-
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	5-1QAC30324A	365,465	86,625
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	5-1QACMS030324/02	218,484	55,388
			583,949	142,013

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor	CFDA	Number	Through Number	Award or Pass-	Through Number	Expenditures	Payments to Subrecipients
Program Title						\$	\$
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP080068-01			946,500	796,799
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP090211-01			265,487	236,225
National Bioterrorism Hospital Preparedness Program		93.889	1 U3REP090220-01			2,642,562	1,875,312
National Bioterrorism Hospital Preparedness Program		93.889	6 U3REP070018-01			527,828	509,101
National Bioterrorism Hospital Preparedness Program		93.889	6 U3REP07557-01			281,328	76,596
						4,663,705	3,494,033
HIV Care Formula Grants		93.917	2 X07HA00001-19			6,107,057	5,676,200
HIV Care Formula Grants		93.917	2 X07HA00001-20			1,652,612	1,512,579
HIV Care Formula Grants		93.917	SFY 10 - Program Income (Rebate Income)			1,118,716	1,035,693
						8,878,385	8,224,472
Special Projects of National Significance		93.928	1 H97HA10567-01			101,851	-
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		93.938	U87/DP001227-02			164,108	59,029
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		93.938	U87/DP001227-03			47,994	-
						212,102	59,029
HIV Prevention Activities_Health Department Based		93.940	2U62PS923483-06			1,168,250	967,134
HIV Prevention Activities_Health Department Based		93.940	U62/CCU923483-05R			33,422	27,258
HIV Prevention Activities_Health Department Based		93.940	U62/CCU923483-05S1			1,616,079	1,329,279
						2,817,751	2,323,671
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	5U62PS001038-02			284,519	144,181
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		93.944	5U62PS001038-03			222,013	114,088
						506,532	258,269
Block Grants for Community Mental Health Services		93.958	3B09SM010039-08			140,510	7,236
Block Grants for Community Mental Health Services		93.958	3B09SM010039-09			3,389,663	383,688
						3,530,173	390,924
Block Grants for Prevention and Treatment of Substance Abuse		93.959	3B08T1010039-08S3			323,841	169,708
Block Grants for Prevention and Treatment of Substance Abuse		93.959	3B08T1010039-09S3			5,235,275	4,045,519
Block Grants for Prevention and Treatment of Substance Abuse		93.959	3B08T1010039-10S3			6,631,051	6,569,597
						12,190,167	10,784,824

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number	\$	\$
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	1H25PS001382-01	420,142	371,065
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	5H25PS001382-02	297,335	255,520
			<u>717,477</u>	<u>626,585</u>
Preventive Health and Health Services Block Grant	93.991	2B01DP009040-08	141,076	-
Preventive Health and Health Services Block Grant	93.991	2B01DP009040-09	130,331	-
			<u>271,407</u>	<u>-</u>
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC1167-01-01	996,801	44,179
Maternal and Child Health Services Block Grant to the States	93.994	6 B04MC17025-01-02	425,171	99,875
			<u>1,421,972</u>	<u>144,054</u>
Total Department of Health and Human Services			<u>1,367,625,653</u>	<u>149,890,306</u>
Corporation for National & Community Service				
Learn and Serve America_School and Community Based Programs	94.004	06LSPNV001-3	24,036	24,036
Learn and Serve America_School and Community Based Programs	94.004	09KSPNV001	119,856	119,856
			<u>143,892</u>	<u>143,892</u>
			<u>143,892</u>	<u>143,892</u>
Total Corporation for National & Community Service				
Social Security Administration				
Disability Insurance/SSI CLUSTER				
Social Security_Disability Insurance	96.001	04-0904NVDI00	4,656,826	4,656,826
Social Security_Disability Insurance	96.001	04-1004NVDI00	10,931,845	10,931,845
			<u>15,588,671</u>	<u>15,588,671</u>
			<u>15,588,671</u>	<u>15,588,671</u>
			<u>15,588,671</u>	<u>15,588,671</u>
Total Disability Insurance/SSI CLUSTER				
Total Social Security Administration				
Department of Homeland Security				
Homeland Security CLUSTER				
State Domestic Preparedness Equipment Support Program	97.004	2008-IO-T8-0003	2,139	194
Homeland Security Grant Program	97.067	2006-GE-T6-0029	4,479,832	2,992,879
Homeland Security Grant Program	97.067	2007-GE-T7-0010	9,098,133	7,933,648
Homeland Security Grant Program	97.067	2008-GE-T8-0030	6,467,725	5,932,821
Homeland Security Grant Program	97.067	2009-SS-T9-0009	815,177	697,992
			<u>20,860,867</u>	<u>17,557,340</u>
			<u>20,863,006</u>	<u>17,557,534</u>
Total Homeland Security CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Number	Through Number	Expenditures	Payments to Subrecipients
					\$	\$
Urban Areas Security Initiative	97.008	2007-TU-XM-0015			292,837	287,837
Boating Safety Financial Assistance	97.012	19.01.32			372,221	-
Boating Safety Financial Assistance	97.012	20.01.32			1,263,016	-
					<u>1,635,237</u>	<u>-</u>
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2006-PC-0006			14,589	14,589
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2007-PC-0003			25,306	24,519
					<u>39,895</u>	<u>39,108</u>
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2009-GR-0904			43,761	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2010-GR-1004			41,594	-
					<u>85,355</u>	<u>-</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006			39,894	3,445
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR			1,150,844	1,142,184
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR			273,886	224,674
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1738-DR			107,299	103,458
					<u>1,571,923</u>	<u>1,473,761</u>
National Dam Safety Program	97.041	2009-RC-55-0026			11,680	-
National Dam Safety Program	97.041	EMW-2008-GR-0657			24,846	-
					<u>36,526</u>	<u>-</u>
Emergency Management Performance Grants	97.042	2008-EM-E8-0044			349,017	348,248
Emergency Management Performance Grants	97.042	2009-EP-E9-0018			2,868,153	1,454,174
					<u>3,217,170</u>	<u>1,802,422</u>
State Fire Training Systems Grants	97.043	2009-RB-63-0142			16,043	-
State Fire Training Systems Grants	97.043	EMW-2008-GR-0680			12,101	-
					<u>28,144</u>	<u>-</u>
Interoperable Emergency Communications	97.055	2009-IP-T9-0022			39,900	37,629
Rail and Transit Security Grant Program	97.075	2006-RL-T6-0007			85,401	85,401
Rail and Transit Security Grant Program	97.075	2007-RL-T7-0103			104,963	101,867
					<u>190,364</u>	<u>187,268</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Buffer Zone Protection Plan (BZPP)	97.078	2006-BZ-T6-0059	\$ 10,890	\$ 10,890
Buffer Zone Protection Plan (BZPP)	97.078	2007-BZ-T7-0010	62,750	62,750
Buffer Zone Protection Plan (BZPP)	97.078	2008-BZ-T8-0026	379,196	378,313
Buffer Zone Protection Plan (BZPP)	97.078	2009-BF-T9-0002	883	-
			<u>453,719</u>	<u>451,953</u>
Real ID Program	97.089	2008 IDT 80019	1,146,322	-
Real ID Program	97.089	2009-ID-MX-0009	118,971	-
			<u>1,265,293</u>	<u>-</u>
Total Department of Homeland Security			<u>29,719,369</u>	<u>21,837,512</u>
Total Federal Financial Assistance			<u>\$ 5,427,116,082</u>	<u>\$ 917,551,786</u>

The accompanying notes are an integral part of this schedule.

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

3. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (10.551)

The expenditures reported for the Supplemental Nutrition Assistance Program (formerly the Food Stamp 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 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 for Federal fiscal year ended September 30, 2009. 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 approximately 15 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2009. An updated national aggregate Recovery Act percentage for the Federal fiscal year ended September 30, 2010 has not yet been provided.

STATE OF NEVADA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

4. UNEMPLOYMENT INSURANCE PROGRAM (17.225 and 17.225A)

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

State Funds	\$1,371,587,823
State Funds - ARRA	872,099,631
Federal Funds	45,379,005
Federal Funds - ARRA	<u>2,569,070</u>
Total Reported	<u>\$2,291,635,529</u>

5. IMMUNIZATION GRANTS PROGRAM (93.268)

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

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

The expenditures for this program include the cost of food vouchers in the amount of \$27,842,721.

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

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

8. DISCLOSURE OF AMERICAN RECOVERY AND REINVESTMENT ACT EXPENDITURES

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the basic financial statements of the State of Nevada for the year ended June 30, 2010.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which were material to the financial statements of the State of Nevada.
4. Significant deficiencies, not identified as material weaknesses, in the internal control over major Federal award programs were disclosed.
5. The Auditor's report on compliance with the major Federal award programs for the State of Nevada expresses an unqualified opinion.
6. Audit findings relative to the major Federal award programs for the State of Nevada, which are required to be reported under Section .510(a) of OMB Circular A-133, are reported in Part C of this Schedule.
7. The programs tested as major programs included:

U.S. Department of Agriculture:

Supplemental Nutrition Assistance Program (SNAP) Cluster:

Supplemental Nutrition Assistance Program, CFDA 10.551

State Administrative Matching Grants for Supplemental Nutrition, CFDA 10.561

ARRA – State Administrative Matching Grants for Supplemental Nutrition, CFDA 10.561A

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

U.S. Department of Justice:

Violence Against Women Formula Grants:

Violence Against Women Formula Grants, CFDA 16.588

ARRA – Violence Against Women Formula Grants, CFDA 16.588A

U.S. Department of Labor:

Employment Service Cluster:

Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207

ARRA – Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A

Disabled Veterans' Outreach Program (DVOP), CFDA 17.801

Local Veterans' Employment Representative Program, CFDA 17.804

Unemployment Insurance:

Unemployment Insurance, CFDA 17.225

ARRA – Unemployment Insurance, CFDA 17.225A

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258

ARRA – WIA Adult Program, CFDA 17.258A

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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

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 Education:

Early Intervention Services (IDEA) Cluster:
Special Education–Grants for Infants and Families with Disabilities, CFDA 84.181
ARRA – Special Education–Grants for Infants and Families, Recovery Act, CFDA 84.393A
State Fiscal Stabilization Cluster:
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act,
CFDA 84.394A
ARRA – State Fiscal Stabilization Fund – Governmental Services, Recovery Act,
CFDA 84.397A
Special Education Cluster:
Special Education_Grants to States, CFDA 84.027
Special Education_Preschool Grants, CFDA 84.173
ARRA – Special Education Grants to States, CFDA 84.391A
ARRA – Special Education – Preschool Grants, CFDA 84.392A
Title I, Part A Cluster:
Title I Grants to Local Educational Agencies, CFDA 84.010
ARRA – Title I Grants to LEAs, CFDA 84.389A
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126
ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act,
CFDA 84.390A

U.S. Department of Health and Human Services:

Immunization Cluster:
Immunization Grants, CFDA 93.268
ARRA – Immunization, CFDA 93.712A
Child Care and Development Fund (CCDF) Cluster:
Child Care and Development Block Grant, CFDA 93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Grant,
CFDA 93.596
ARRA – Child Care and Development Block Grant, CFDA 93.713A
HIV Care Formula Grants, CFDA 93.917
Low Income Home Energy Assistance, CFDA 93.568
Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777
Medical Assistance Program, CFDA 93.778
ARRA – Medical Assistance Program, CFDA 93.778A

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Public Health Emergency Preparedness, CFDA 93.069
Social Services Block Grant, CFDA 93.667
State Children's Insurance Program, CFDA 93.767
Temporary Assistance to Needy Families (TANF) Cluster:
 Temporary Assistance to Needy Families, CFDA 93.558
 ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF)
 State Program, CFDA 93.714A
 ARRA – Temporary Assistance for Needy Families (TANF) Supplement Grants,
 CFDA 93.716A

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2010, was \$16,281,348.
9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2010 under the criteria set forth in Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statement audit.

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

See pages 116 through 224.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 10-1:

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. Although the certified weekly payrolls were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

Questioned Cost: None.

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

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

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

Management’s Response: See management’s response on page 118.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 10-2:

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:

<i>Grant Award Number:</i>	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.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> 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).
<i>Condition and Context:</i>	Our procedures included reviewing documentation of test results to verify that tests were being performed in accordance with the quality assurance program. One of seven Federally funded construction projects completed during the year was tested. We noted that samples of piping, which represented five of 23 materials used in the project that were subject to quality assurance testing, were not submitted to the materials lab for testing. As a result, the minimum number of tests required under the quality assurance program was not performed for those materials.
<i>Questioned Cost:</i>	None.
<i>Effect:</i>	Noncompliance with the quality assurance program could result in construction project deficiencies.
<i>Cause:</i>	Adequate procedures were not in place to ensure that all required tests were performed as prescribed by the quality assurance program.
<i>Recommendation:</i>	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.
<i>Management's Response:</i>	See management's response on page 119.



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

BRIAN SANDOVAL
Governor

SUSAN MARTINOVICH, P.E., *Director*

March 3, 2011

In Reply Refer to:

Grace Speicher, Financial Mangager
Federal Highway Administration
705 North Carson St.
Suite 220
Carson City, NV 89701

Dear Ms. Speicher:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of the Highway Planning and Construction Cluster, CFDA 20.205, administered by the Nevada Department of Transportation for fiscal year ended June 30, 2010. Kafoury, Armstrong's findings are below

Finding 10-01 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 Transportations Response:

The NDOT agrees with this finding. We have started to explore new ways to put a procedure or process in place. The Resident Engineers receive training on the importance of the Davis Bacon Act during the annual Residence Training Academy. NDOT is also informing the contractors at every pre-con meeting. We will have this completed by September 30, 2011. This will be addressed by Norma Norman, Civil Rights Officer.



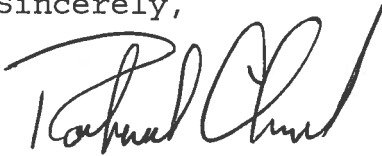
Finding 10-02 resulted in the following recommendation:

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 Transportations Response:

The NDOT form 040-075 to be completed upon completion of each contract was put into place to catch any materials that may have been missed for testing. The pipe being missed was caught due to the use of this form. The NDOT will review its policies and procedures to determine how this happened and how to handle it in the future. The NDOT plans to have this completed by July 1, 2011. This issue must be resolved between the District Engineer and the Construction Division. Jeff Shapiro, Chief Construction Engineer and District Engineers will be responsible for this task.

Sincerely,



Robert Chisel,
Assistant Director Administration

CC: Susan Martinovich, Director
Rudy Malfabon, Deputy Director
Rick Nelson, Assistant Director Engineering
Dave Olsen, Chief Accountant
Elaine Martin, Project Accounting
Jeff Shapiro, Chief Construction Engineer
Norma Norman, Administrative Coordinator, Civil Rights
Roc Stacey, Contract Compliance
Shannon Ryan, Audit Supervisor, LCB
Debra Clark, CPA, Kafoury, Armstrong & Co.
Thor Dyson, District Engineer
Kevin Lee, District Engineer
Mary Martini, District Engineer

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-3:

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

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 17.225 and 17.225A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which defines the Cash Management Improvement Act of 1990, as amended (Pub. L. No. 101-453; 31 USC 6501 <i>et seq.</i>), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.
<i>Condition and Context:</i>	<p>The Unemployment Insurance – Federal Benefit Account and Administrative Costs program (17.225F) is covered by the State of Nevada <i>Amended Treasury State Agreement No. 1</i> for fiscal year 2010. The terms of this agreement specify that the recipient, Nevada Department of Employment, Training and Rehabilitation (DETR), will request Federal funds in accordance with the Actual Clearance, Zero Balance Account-Automated Clearing House (ZBA-ACH) funding technique.</p> <p>During our testing, we noted that DETR did not follow the funding technique specified in the Treasury-State Agreement. The Actual Clearance, ZBA-ACH funding technique specifies that the State shall request funds such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. However, DETR requested Federal funds based on expenditures recorded as issued in the accounting system, regardless of the settlement dates for outstanding payroll and vendor check disbursements. As such, requests for funds were not always based on the amount of funds that cleared the State of Nevada’s account on the settlement date.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Federal funds may have been drawn in advance of the settlement date and this could have resulted in an interest liability for the State.
<i>Cause:</i>	DETR did not adhere to the funding technique described in the Treasury-State Agreement, and DETR did not request that the Treasury-State Agreement be amended to reflect the actual funding technique used.
<i>Recommendation:</i>	We recommend that DETR ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.
<i>Management’s Response:</i>	See management’s response on page 130.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-4:

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

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

Criteria: The *OMB Circular A-133 Compliance Supplement* states that under State Unemployment Insurance laws, a worker's benefit right depends on the amount of the worker's wages and/or weeks of work in covered employment in a "base period." In Nevada, the base period is defined as the first four of the last five completed calendar quarters immediately preceding the initial claim for benefits.

Condition and Context: During our testing, we reviewed the benefit amounts paid to 40 individuals to ensure benefit payments were calculated correctly. We noted that one individual's benefits were incorrectly calculated, resulting in a benefit amount that was less than what the individual was entitled to.

The weekly and maximum benefit amounts were calculated using the correct quarters of the base period. However, subsequent to the individual's initial claim for Unemployment Compensation, the Nevada Department of Employment, Training and Rehabilitation identified an error in the information reported by the employer, and increased the wages for one quarter to correct that error. Although the wage information was updated, the weekly benefit amount and maximum benefit amount related to the individual's initial Unemployment Compensation claim and subsequent Emergency Unemployment Compensation claim were not recalculated to reflect the revision. The calculated weekly and maximum benefit amounts were understated by \$3 and \$841, respectively.

Questioned Costs: None.

Effect: An individual received benefit amounts that were less than they were entitled to.

Cause: Adequate controls were not in place at the Nevada Department of Employment, Training and Rehabilitation to ensure unemployment claim benefit payments amounts were recalculated to reflect changes to claim information.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation implement controls to ensure benefit payments are recalculated to reflect changes to claim information, as applicable.

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

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF LABOR:

Finding 10-5:

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

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

Criteria: The *OMB Circular A-133 Compliance Supplement* provides that State responsibilities include determining claimant eligibility and disqualification provisions.

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation Manual of Operations, Chapter 1300, contains a policy to assist in detecting and preventing the filing of fraudulent unemployment claims called the Identity Cross-match Program. This program requires the claimant's data to be matched to the data maintained by the Nevada Department of Motor Vehicles. In the event the claimant data does not match, documentation of the resolution of any validation issues is to be included in the General Unemployment Insurance Development Effort (GUIDE) system.

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

Questioned Costs: Undetermined.

Effect: Unemployment Insurance payments may have been made to ineligible individuals.

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

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

Management's Response: See management's response on page 131.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-6:

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

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 17.225 and 17.225A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>ET Handbook No. 395, 5th 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 National Directory of New Hires crossmatch.
<i>Condition and Context:</i>	<p>As part of our testing over the BAM program, we reviewed the requirements relating to the investigative process and data collection in the Handbook. We noted that the National Directory of New Hires crossmatch documentation was an additional requirement added to the Handbook, effective November 17, 2009. The sample tested to ensure that the minimum documentation required for records and reporting was maintained included 18 case files selected for BAM quality control investigation subsequent to November 19, 2009. We noted that one case file, selected for BAM investigation in January 2010, did not contain documentation of National Directory of New Hires crossmatch.</p> <p>As a result of the required peer review, the Nevada Department of Employment, Training and Rehabilitation implemented the new records procedure in March 2010. Accordingly, this condition appears to represent noncompliance during the isolated period between the effective date of the new procedure per the Handbook and implementation of the new records procedure at the Nevada Department of Employment, Training and Rehabilitation.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Unemployment Insurance payments may have been made to ineligible individuals.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation did not implement the requirements of the Handbook timely, and did not obtain the required documentation on a retroactive basis.
<i>Recommendation:</i>	We recommend the Nevada Department of Employment, Training and Rehabilitation ensure timely implementation of revisions to the Handbook for the Unemployment Insurance BAM program, and obtain required documentation on a retroactive basis, if necessary.
<i>Management's Response:</i>	See management's response on page 131.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-7:

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

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

Criteria: *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 Employment, Training and Rehabilitation is required to submit quarterly ETA-9130 Financial Reports for Workforce Investment Act Cluster awards.

During testing of a quarterly ETA-9130 report submitted for the quarter ended March 31, 2010 for grant award AA-17140-08-55-A-32, we noted a formula error in a supporting spreadsheet that caused the Federal share of expenditures reported to be understated by \$221,542.

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 reconciliation and review procedures in place to ensure that amounts included in the ETA-9130 Financial Report were presented in accordance with program requirements and included all activity of the reporting period.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures over the reporting process to ensure that all amounts included in the ETA-9130 Financial Report are presented in accordance with program requirements and include all activity of the reporting period.

Management's Response: See management's response on page 131.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-8:

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

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

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

Condition and Context: The Nevada Department of Employment, Training and Rehabilitation is required to submit the ETA-9091 WIA Annual Report for the Workforce Investment Act Cluster awards.

During testing of key line items of WIA Standardized Record Data (WIASRD) submitted during fiscal year 2010, which support the information tables in the ETA-9091 report, we noted certain wage amounts, specifically of earnings prior to registration and dislocation, included in WIASRD did not agree to the underlying records in the General Unemployment Insurance Development Effort (GUIDE) system.

Questioned Costs: None.

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

Cause: The Nevada Department of Employment, Training and Rehabilitation did not have procedures in place to ensure all wages were 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 complete and accurate wage information.

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-9:

Workforce Investment Act (WIA) Cluster:

WIA Adult Program, CFDA 17.258:

ARRA – WIA Adult Program, CFDA 17.258A:

WIA Youth Activities, CFDA 17.259:

ARRA – WIA Youth Activities, CFDA 17.259A:

WIA Dislocated Workers, CFDA 17.260:

ARRA – WIA Dislocated Workers, CFDA 17.260A:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 17.258A, 17.259A, and 17.260A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.
<i>Condition and Context:</i>	As part of our testing, we reviewed the WIA contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we identified a contract that did not include the Federal award number, a specific CFDA number, or the amount of ARRA funds. In addition, ARRA funds were not identified as such at the time of disbursement to subrecipients.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level that is not detected by the State.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation did not have procedures in place to ensure that all required aspects of the ARRA funds were communicated to subrecipients.
<i>Recommendation:</i>	We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated.
<i>Management's Response:</i>	See management's response on page 132.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF LABOR:

Finding 10-10

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:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 17.258A, 17.259A, and 17.260A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Circular A-133 Compliance Supplement</i> requires that recipients and their first-tier subrecipients maintain current registrations in the Central Contractor Registration (CCR) at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds.
<i>Condition and Context:</i>	As part of our testing over ARRA subawards, we reviewed whether the Nevada Department of Employment, Training and Rehabilitation ensured subrecipients receiving ARRA funds maintained current CCR registrations and performed periodic checks to ensure that subrecipients were updating information, as necessary. We noted that one subrecipient did not register in the CCR and the current status of information maintained in the CCR registration by another subrecipient was not monitored.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Noncompliance at the subrecipient level occurred and was not detected by the State.
<i>Cause:</i>	The Nevada Department of Employment, Training and Rehabilitation did not have procedures in place to properly monitor subrecipients for this requirement of the ARRA funds.
<i>Recommendation:</i>	We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to properly monitor subrecipients as required under ARRA.
<i>Management's Response:</i>	See management's response on page 133.

BRIAN SANDOVAL
Governor



LARRY J. MOSLEY
Director

OFFICE OF THE DIRECTOR

March 4, 2011

Mr. Richard C. Trigg, Regional Administrator
U.S. Department of Labor
Employment and Training Administration
89 7th Street, Suite 17-300
San Francisco, CA 94103-1516

Subj: Response to 2010 Single Audit Issues /Concerns

Dear Mr. Trigg,

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

Findings 10-3 thru 10-6 - Unemployment Insurance (UI)

- CFDA 17.225
- ARRA CFDA 17.225A

Findings 10-7 thru 10-10 – Workforce Investment Act (WIA) Cluster

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

Finding 10-13 – Employment Services (ES) Cluster

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

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

Please feel free to contact me at (775) 684-3911 or my Employment Services Division (ESD) Administrator, Cindy Jones at (775) 684-3909 if you need further assistance.

Sincerely,



Larry J. Mosley
Director

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

State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2010

Unemployment Insurance

Finding 10-3

Recommendation

We recommend that the Nevada Department of Employment, Training and Rehabilitation (DETR) ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.

Nevada Department of Employment, Training & Rehabilitation's Response

The annual Treasury-State Agreement was completed; amended effective January 12, 2011 to change the funding technique to *Estimated Clearance*, and will be adhered to. See attached "110112 Amendment to CMIA" – Attachment A. This agreement will be reviewed annually by Financial Management to ensure future accuracy.

Finding 10-4

Recommendation

We recommend that DETR implement controls to ensure benefit payments are recalculated to reflect changes to claim information, as applicable.

Nevada Department of Employment, Training & Rehabilitation's Response

Due to the record high unemployment numbers which placed an enormous stress on Nevada's 30 year old UI computer system and also, by the numerous additions of federal emergency and state extended benefit programs; this appears to have been an isolated incident that occurred within the UI system. In testing the system, the Department's information technology group has not been able to recreate the event described above. The current system is programmed to automatically readjust the claim and reissue a Monetary Determination to reflect the amounts of a recalculated claim.

Notwithstanding the above, it should be noted that Nevada DETR has recognized the limitations of its current UI system for some time now and has moved forward in the process of developing /implementing a new UI system (called UI-NV) (for over 2 years now) that will handle the kinds of situations, as described above. The Department anticipates partial implementation of UI-NV within 12 months.

Finding 10-5

Recommendation

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

Nevada Department of Employment, Training & Rehabilitation's Response

All departmental UI claims representatives are instructed to use the Manual of Operations and document resolutions of discrepancies within the identity cross-match program. The event was determined to be an inadvertent human error, incorrectly performed by a claims examiner.

Please note that Nevada is in the process of implementing a Social Security Cross Match Program before the end of the second quarter of 2011. This system will help eliminate the possibility of human error, such as the one noted in the audit.

Finding 10-6

Recommendation

We recommend that DETR ensure timely implementation of revisions to the Handbook for the Unemployment Insurance BAM program and obtain required documentation on a retroactive basis, if necessary.

Nevada Department of Employment, Training & Rehabilitation's Response

The case file in question did not contain documentation of the National Directory of New Hires Crossmatch primarily because of a mis-understanding of the changes requested by DOL directives. In December 2009, the Regional DOL advised the BAM unit to remove ALL Social Security Numbers other than the claimant's from the BAM file. This instruction was misinterpreted by the BAM Supervisor to indicate the New Hire list could NOT be kept within the case file and as a result, the New Hire list was not included. After further clarification from DOL, the properly redacted New Hire file has been included in all BAM cases since April 2010.

Workforce Investment Act

Finding 10-7

Recommendation

We recommend that DETR enhance the procedures over the reporting process to ensure that all amounts required to support the reported amounts are maintained and reconciled to the underlying data elements.

Nevada Department of Employment, Training & Rehabilitation's Response

The formula error in supporting worksheets has been corrected. Additionally, the Financial Management Section of the Department is in the process of automating data collection for all federal reports with a projected completion date of October 1, 2011.

Finding 10-8

Recommendation

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

Nevada Department of Employment, Training & Rehabilitation's Response

As a result of the WIASRD wage records not matching the WRIS wage match, Automated Systems Team staff researched the issue. It was discovered that when WRIS wages are added to the WIASRD, only one wage record is being added although there were wages from more than one employer in the same quarter. AJLA has upgraded DART and update has been tested by the Workforce Investment Support Services (WISS) automated systems staff, and is currently working.

Finding 10-9

Recommendation

We recommend that DETR implement procedures to ensure that all information required to be provided to sub-recipients under ARRA is communicated.

Nevada Department of Employment, Training & Rehabilitation's Response

For all previous WIA formula and ARRA contracts, the Catalog of Federal Domestic Assistance (CFDA) number was not included on the contracts. Staff was unaware of the requirement to list on the individual contracts either the Federal award number or the CFDA number. As of now, the WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, has been updated to ensure all new contracts include the CFDA number and Federal Award Number (Attachment B). Due to a lengthy contract process, amendments were not previously written for the purpose of adding the CFDA number, but subsequent formula and ARRA contracts do contain the CFDA number. The Federal award number will also be added to all future contracts.

All ARRA contracts include the reference to ARRA in the contract number, e.g., PY08-A-ARRA-02. In addition, both Boards submit separate requests for reimbursements for formula and ARRA funds and include individual contract numbers on the requests. (Attachment C)

In addition, the Financial Management Section of the Department will also identify the federal award number, CFDA number, and the amount of ARRA funds on each disbursement of funds to sub-recipients. The projected completion date is March 31, 2011.

Finding 10-10

Recommendation

We recommend that DETR implement procedures to properly monitor sub-recipients as required under ARRA.

Nevada Department of Employment, Training & Rehabilitation's Response

DETR WISS staff is assigned to provide all interested parties with guidance received and technical assistance related to their respective programs as well as perform periodic on-site monitoring (in conjunction with DETR Audits). All notifications to DETR's sub-recipients are provided electronically. Specifically, for Training and Employment Guidance Letter 29-08 dated June 10, 2009, this notice was sent via email on June 15, 2009.

To date, both WorkforceConnections and NevadaWorks are now registered into the CCR as required. Department staff will request confirmation at least once a year from both local boards regarding the current status of information maintained in the CCR registration database.

Employment Services

Finding 10-13

Recommendation

We recommend that DETR enhance controls to ensure Federal expenditures are reported accurately for inclusion on the SEFA.

Nevada Department of Employment, Training & Rehabilitation's Response

The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller's Office on December 6, 2010. Current procedures are in place to ensure federal expenditures are reported accurately for inclusion on the SEFA. See attached "5c Single Audit Amended 07-01-10" – Attachment D. Training will be provided by March 31, 2011 to Financial Management staff to ensure current procedures are followed.

ATTACHMENT A



MEMORANDUM OF AGREEMENT

TO: Susan Hart, State of Nevada Controller's Office
 FROM: Renee Olson, Chief Financial Officer, DETR
 DATE: January 12, 2011
 RE: Cash Management Improvement Act (CMIA)

This Memorandum of Agreement will serve as an addendum to the methods and logistics the Financial Management Section of the Department of Employment, Training and Rehabilitation (DETR) must follow for its federal program subject to the CMIA. This addendum will amend our Treasury-State Agreement (TSA) with the Treasury Department beginning January 12, 2011.

CFDA #17.225 – Unemployment Insurance

The program and administrative components of the unemployment insurance program will be funded using the *Estimated Clearance* technique. Drawdowns will be requested so federal funds are credited to the State's bank account weekly.


Estimated Clearance is defined as:

The State shall request funds such that they are deposited in a State account in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate federal agency cut-off time specified in Exhibit I. The clearance pattern for this funding technique is Exhibit II EC (Estimated Clearance). This funding technique is interest neutral.

There are no changes to the draw procedures for CFDA #17.225, Unemployment Insurance Benefit Payments.

Please sign, date and return the original of this memorandum to this office by February 1, 2011.

Sincerely,



 Renee Olson, Chief Financial Officer
 Department of Employment, Training and Rehabilitation

01.12.11
 Date

 Susan Hart, Accountant
 Controller's Office

 Date

ATTACHMENT B

**Section 14 Tab 4
FISCAL & LEGAL**

**DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
EMPLOYMENT SECURITY DIVISION
WORKFORCE INVESTMENT SUPPORT SERVICES
(Budget 4767 and 4770)**

INDEPENDENT / INTERLOCAL CONTRACTS

Development of any of the above documents is done at the request of chief/administrator/financial management:

- New document
- Amendment(s) to existing document:
 1. Closure date extension
 2. Dollar increases
 3. Corrections

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>Workforce Investment Support Services (WISS) prepares contracts for Workforce Investment Act (WIA) funded programs, Nevada Revised Statutes (NRS) stipulated programs - Displaced Homemaker (DH), Career Enhancement Program (CEP), and independent contractors. All contracts over the amount of \$10,000.00 require the approval of the State of Nevada Board of Examiners (BOE). The contract, contract summary, all required attachments, and the transmittal cover page must be delivered to Operations Management no later than 15 working days prior to the BOE agency deadline date.</p> <p>A Contract Compliance Checklist form (<i>see form in this section</i>) has been developed to insure that the contract, new / renewal / Independent / Intralocal/Interlocal, has received the proper approval(s). This checklist will remain in each contract file and is completed as each step of the contract is completed.</p>	
<p>INDEPENDENT CONTRACTS: Generally used for CEP, DH, and AFL-CIO</p>	
<p>Contracts for Services of Independent Contractor are developed when vendor is an individual or company [Reference: State Administrative Manual (SAM) 0322.0, NRS 284.173, SAM 0324.0, and 0326.0].</p> <p>CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR requires the following items be completed prior to submission by WISS:</p>	<p>Required NOTE: Independent contracts require Board of Examiners approval. Per BOE Twenty-Third Edition Revision, March 2004, "The Clerk or his designee can approve these agreements on behalf of the Board of Examiners."</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>The Chief of WISS (or designee) will assign all new contract numbers. Contract numbers will include the year of the funding award, a program indicator, and the Local Workforce Investment Board (LWIB) to whom the contract is being awarded indicator or name of contractor.</p> <p>Contract numbers are to be BOLD CAPITAL letters. Placement is always in the upper right corner of each page of the contract, contract summary, and amendment. The easiest way to accomplish this is to make the Contract number a header.</p> <p>Complete Name, Contact Person, Address, Phone, Facsimile Number of Independent Contractor.</p> <p>3. <u>CONTRACT TERM</u>: This Contract shall be effective from <u>Board of Examiners' approval (anticipated to be mm/dd/yyyy)</u> to <u>mm/dd/yyyy</u>, unless sooner terminated by either party as specified in paragraph ten (10).</p> <p>6. <u>CONSIDERATION</u>: cost of \$ _____.00 per _____, (state the exact cost or hourly, daily, or weekly rate exclusive of travel or per diem expenses) with the total Contract or installments payable: _____, not to exceed \$__ for the term of the contract.</p> <p>15. <u>INDEPENDENT CONTRACTOR</u>: contractor must initial each of the 7 questions.</p>	<p>The most current contract form can be found in the DETR Intranet under Policies and Procedures, Administration forms index</p> <p>Name and Address must match the State Controller's Vendor Registration Information</p> <p>All contracts must have the following attachments:</p> <ol style="list-style-type: none"> 1. Attachment AA: STATE SOLICITATION OR RFP #_ and AMENDMENT(S)#_____; 2. Attachment BB: INSURANCE SCHEDULE; and 3. Attachment CC: CONTRACTOR'S RESPONSE 4. Any other related information <p>If the contractor responds "yes" to any question, an explanation of the response must be supplied in a separate document.</p>
<p>16. Insurance amounts are listed in Attachment BB – Insurance Schedule. Section C. <u>Notice of Cancellation</u>: and the third paragraph of Section E. <u>Verification of Coverage</u>: must be completed by WISS staff by inserting the State Department Representative's Name and Address.</p>	<p>WISS staff is required to verify insurance amounts by going to the Risk Management website at www.risk.state.nv.us Click on contracts, then click on Insurance and Indemnification Requirements for Contracts. Be sure to copy and paste the correct language (i.e., Standard Professional Service Contracts, Standard Contracts) into the Attachment BB pages to be attached to the contract.</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>Original contract and all attachments are to be sent to Operations Management for approval. One copy should be retained by WISS to create the file copy.</p> <p>After Operations Management approves the contract, Operations Management will deliver the contract and summary to the Administrator to sign only the summary page after verifying the contract terms and amount. After the Administrator approves the contract it is returned to WISS. Operations Management retains the summary. Three copies are to be made of the entire contract. These are then sent or delivered to the contractor for signature. Be sure to use "Sign and Date here" Post-its on each page where information or signature is required.</p> <p>When contracts are received from the contractor after signing, all three copies are to be returned to Operations Management.</p>	<p>Transmittals should accompany contract when delivered to Operations Management. A copy of the Transmittal with the date of delivery (stamped or signed by Operations Management) must be returned to WISS and filed in both the contract file and Chief's monthly transmittal file.</p> <p>Transmittals should accompany contract when delivered to Operations Management. A copy of the Transmittal with the date of delivery (stamped or signed by Operations Management) must be returned to WISS and filed in both the contract file and Chief's monthly transmittal file.</p>
INTERLOCAL CONTRACTS: Generally used only for WIA	
<p>A. Contract Numbers:</p> <p>The Chief of WISS (or designee) will assign all new contract numbers. Contract numbers will include the year of the funding award, a program indicator, and the Local Workforce Investment Board (LWIB) to whom the contract is being awarded indicator.</p> <p>Program indicators are: A = Adult program DW = Dislocated Worker program Y = Youth program GR = Governor's Reserve awards</p> <p>LWIB indicators are: 01 = Nevadaworks 02 = Workforce Connections</p> <p>Example: PY02-A-01 would indicate money awarded in Program Year 2002 (PY02), for adult services (A), awarded to Nevadaworks (01).</p>	<p>Use the Intrastate Interlocal contract form with other Nevada state agencies. Use the Interlocal contract form for all other qualifying public agencies.</p> <p>The most current contract form can be found in the DETR Intranet under Policies and Procedures, Administration forms index</p> <p>Governor's Reserve numbers will be different in that they will indicate two different years. For example, PY04-GR(03)-I-02 would indicate Program Year 2004 (PY04), Governor's Reserve award (GR), the year of funding (03), incentive award (I), awarded to Workforce Connections (02).</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>Contract numbers are to be BOLD CAPITAL letters. Placement is always in the upper right corner of each page of the contract, contract summary, and amendment. The easiest way to accomplish this is to make the Contract number a header.</p> <p>B. Contracting Agency: Spell out the name of the agency (acronym in parenthesis), address, telephone number, and fax number.</p> <p>C. Bolded “Whereas” statements: The contracting agency (acronyms ok) is to be inserted in each designated place.</p> <p>D. #3 Contract Term: Insert the termination date of the contract in mm/dd/yyyy format.</p> <p>E. #4 Termination: Insert the number of days written notice a contract can be terminated i.e., <u>30</u> days.</p> <p>F. #6 Incorporated Documents: Insert the other documents that are to be included in the contract i.e., Attachment B: General Provisions; Attachment C: General Assurances Certifications; Attachment D: Modification and Revision Procedures.</p> <p>G. #7 Consideration Insert the contracting agency (acronyms ok) and full dollar amount of the contract. Program year must be a four-digit number (i.e. 2003). Include detail as to how the contractor will be paid. On subparagraphs A through F, enter the contracting agency.</p> <p>Contract, scope of work/budget detail, and all attachments are to be sent electronically to the Deputy Administrator for review.</p>	<p>For WIA Contracts the following Catalog of Federal Domestic Assistance (CFDA) numbers must be inserted under the Contract number: ✓</p> <p>WIA Adult 17.258 WIA Youth 17.259 WIA Dislocated Worker 17.260 WIA National Emergency Grants 17.277</p> <p>In addition, the Federal award number must also be included under the CFDA number. ✓</p> <p>Templates are available at J:WISS/Contract Info ~ Independent and WIB/Templates for the two LWIBs. These templates contain the correct information for B, C, and E.</p> <p>Name and Address must match the State Controller’s Vendor Registration Information.</p> <p>The following language must be used to indicate how the contractor will be paid: State will process payment when approved request for funds form is received and approved by the Department, normally once each week for the duration of the contract, not to exceed the contract maximum of \$.</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>Original contract and all attachments are to be sent to Operations Management for approval. One copy should be retained by WISS to create the file copy.</p> <p>After Operations Management approves the contract, Operations Management will deliver the contract and summary to the Administrator to sign only the summary after verifying the contract terms and amount. After the Administrator approves the contract it is returned to WISS. Operations Management retains the summary. Three copies are to be made of the entire contract. These are then sent or delivered to the contractor for signature. Be sure to use "Sign and Date here" Post-its on each page where information or signature is required.</p> <p>When contracts are received from the contractor after signing, all three copies are to be returned to Operations Management.</p>	<p>Transmittals should accompany contract when delivered to Operations Management. A copy of the Transmittal with the date of delivery (stamped by Operations Management) must be returned to WISS and filed in both the contract file and Chief's monthly transmittal file.</p> <p>Transmittals should accompany contract when delivered to Operations Management. A copy of the Transmittal with the date of delivery (stamped or signed by Operations Management) must be returned to WISS and filed in both the contract file and Chief's monthly transmittal file.</p>
<p>AMENDMENTS:</p> <p>Amendments to Independent Contracts and/or Interlocal Contracts are developed for the purpose of "changing" original executed document., i.e. dollar amount, extending ending date, changing addresses, or clerical error.</p> <p>Amendments to a contract are always numbered consecutively. It is imperative that the amendment number in the "contract number" matches the amendment number in the very first line on the form "AMENDMENT # ___ TO CONTRACT."</p> <p>Enter the contracting agency name, address, telephone number, and fax number.</p> <p>1. Amendments: The original contract date is always the date the BOE has dated and signed the original contract. Enter a brief description of what is being changed by the amendment.</p> <p>1a. Must be stated as follows: Paragraph # of the original contract reads as follows: The <u>complete</u> paragraph must then be</p>	<p>For WIA Contracts the following Catalog of Federal Domestic Assistance (CFDA) numbers must be inserted under the Contract number:</p> <p>WIA Adult 17.258 WIA Youth 17.259 WIA Dislocated Worker 17.260 WIA National Emergency Grants 17.277</p> <p>In addition, the Federal award number must also be included under the CFDA number.</p> <p>Templates are available at J:WISS/Contract Info ~ Independent and WIB/Templates for the two LWIBs. Be sure to delete any standardized language on the template if it does not apply.</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>entered exactly as it is on the original contract.</p> <p>Then: Paragraph # of the original contract is hereby Amended to read as follows:</p> <p>2. All INCORPORATED DOCUMENTS to an amendment will be listed as exhibits. A copy of the original contract is always included as exhibit A. All previous amendments must be included as exhibits and lettered accordingly (i.e., Amendment #1 would be exhibit B, Amendment #2 would be exhibit C, etc.) Any other exhibits will be determined by the Chief of WISS or the Chief's designee.</p> <p>A contract summary must be completed and included with every amendment.</p>	<p>If there have been previous amendments, this should read: Paragraph # of contract Amendment # (most recent amendment) reads as follows:</p>
<p>Original amendment and all attachments are to be sent to Operations Management for approval. One copy should be retained by WISS to create the file copy.</p> <p>After Operations Management approves the amendment, Operations Management will deliver the amendment and summary to the Administrator to sign only the summary after verifying the amendment terms and the amount. After the Administrator approves the amendment it is returned to WISS. Operations Management retains the summary. Three copies are to be made of the entire packet. These are then sent or delivered to the contractor for signature. Be sure to use "Sign and Date here" Post-its on each page where information or signature is required.</p> <p>When amendments are received from the contractor after signing, all three copies are to be returned to Operations Management.</p>	<p>Transmittals should accompany contract when delivered to Operations Management. A copy of the Transmittal with the date of delivery (stamped or signed by Operations Management) must be returned to WISS and filed in both the contract file and Chief's monthly transmittal file.</p> <p>Transmittals should accompany contract when delivered to Operations Management. A copy of the Transmittal with the date of delivery (stamped or signed by Operations Management) must be returned to WISS and filed in both the contract file and Chief's monthly transmittal file.</p>
CONTRACT SUMMARY:	
<p>The contract summary is the only document the BOE will see. It is imperative that the complete contents of the contract or amendment are reflected in the contract summary.</p> <p>The contract number must be <u>exactly</u> the same as it is on</p>	<p>The most current contract summary form can be found in the DETR Intranet under Policies and Procedures, Administration forms index</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>the contract. This is to be placed directly under "For Board Use Only – Number"</p> <p>1. Description of contract Agency Name will always be Department of Employment, Training and Rehabilitation. Employment Security Division. Workforce Investment Support Services Unit. <u>Agency Code</u> does not change from 902 <u>Appropriation Unit</u> is the budget account number plus the category number. WIA and AFL-CIO contracts will be 477011. CEP contracts will be 476712. DH contracts will be 477016. These may change with the type of services being rendered. CEP contracts may be 476730 if it is a training contract. If unsure, refer to a previous year for guidance.</p>	<p>Templates are available at J:WISS/Contract Info ~ Independent and WIB/Templates for the two LWIBs.</p> <p>Unless advised otherwise in writing by the ESD Administrator.</p>
<p><u>Contractor Name</u> will be the name, address, telephone number, and fax number of the contracting agency.</p> <p><u>Vendor Number</u> will change with the contracting agency. Nevadaworks – T27003177 SNWIB – T81079028</p> <p>CDB# (Contract Data Base #) is only used if the summary is for an Amendment. Contact Operations Management for the correct number.</p>	<p>Contractor's name and address must match the State Controller's Office Registration form. (Vendor Detail)</p> <p>If the contracting agency is anything other than Nevadaworks or SNWIB, the number may be obtained from the State Controller's Office DAWN website http://washoe.state.nv.us:778/vvchk_main_frm.html - or by contacting DETR Operations Management.</p>
<p><u>Line item authority</u> is always marked "Yes."</p> <p><u>State Fiscal Year(s)</u> always reflects fiscal year not program year contract is to be charged. The year is written as a four-digit number.</p> <p><u>Funding source.</u> 100% federally funded for WIA funds. DH and CEP contracts will be indicated under "Other funding:" and include the explanation.</p> <p>2. <u>Contract Start Date</u> will be "Effective upon Board of Examiner's approval," unless the start date will be after the BOE's next scheduled meeting. Then the appropriate start date is to be included</p>	<p>By double clicking on the appropriate box, a check mark will appear.</p> <p>Example: Program Year 2003 is July 1, 2003 to June 30, 2004. Fiscal Year 2004 is July 1, 2003 to June 30, 2004.</p> <p>Displaced Homemaker contracts will be marked "Fees" with the explanation "NRS 19.033 – Divorce Fees" 100% Career Enhancement Program contracts will be marked "Other" with the explanation "Employer training tax" 100%</p> <p>Youth contracts have a start date of April 1, 200X, but a Retroactive letter must accompany the contract.</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>3. <u>Termination Date</u> WIA and AFL-CIO are 2-year contracts. DH are 4-year contracts Compute the June 30 termination date CEP are governed by the Scope of Work Compute the termination date.</p> <p><u>Contract Term</u> Must be stated in years and months.</p> <p>4. <u>Type of Contract</u> a. “New” or “Interlocal Contract: unless it is an amendment. b. Contract Description: limited to 3 or 4 key words such as “training for youth.”</p> <p>5. <u>Purpose of Contract</u> should be a description of the work to be done, information from Attachment AA (Scope of Work) on the original contract.</p> <p>6. <u>New Contracts Only:</u> Payment for services will be made at the rate of <u>N/A</u> per <u>N/A</u>. Or, if not applicable, specify other basis for payment: State will process payment when approved request for funds form is received and approved by the Department, normally once each week for the duration of the contract, not to exceed the contract maximum of \$ _____ for the term of the contract.</p> <p>6b. <u>Contract amendments</u> Maximum amount of the original contract (be sure to include meeting date of BOE approval of original contract). Total amount of any previous contract amendments. Amount of current contract amendment. New maximum contract amount.</p> <p>“termination date ... has changed to” insert new termination date.</p> <p>Justification</p>	<p>Under no circumstances may contracts overlap years.</p> <p>Governor’s Reserve contracts are determined by the program year of the award and independent contracts are determined by the Scope of Work.</p> <p>Standard language is included on the template, but may change if so deemed by DETR Administration.</p> <p>Amendments are numbered consecutively. The amendment number on the summary must match the number on the original amendment. Example: PY02-A-01-AMEND #1</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>7. <u>Conditions mandating work</u> The standard language for WIA LWIB and AFL-CIO contracts will be “Workforce Investment Act (WIA) of 1998.”</p> <p>8. <u>State employees ... not able to do this work.</u> Standard language for WIA LWIB contracts will be “The Governor’s Workforce Investment Board has designated the Local Workforce Investment Boards to facilitate the required employment and training services in compliance with WIA.”</p> <p>9. <u>Were quotes or proposals solicited?</u> This will generally be “no.” If both questions are answered no, then one of the boxes in 9b needs to be checked.</p> <p>9b. Enter solicitation Waiver # if applicable. See special rules for directions.</p> <p>If the contract is for a professional service and is one of the five listed in NAC 333.150, the Professional Service box is checked. A copy of NAC 333.150 must be attached if this box is checked.</p> <p>If the contract is an Interlocal or Cooperative Agreement, the Exempt box is checked.</p> <p>10. <u>Does the contract contain any IT components?</u> This generally will be “no.”</p>	<p>DH language: “Chapter 388 of the Nevada Revised Statutes mandates that centers be established for the education and counseling of displaced homemakers.”</p> <p>CEP language: “Nevada Revised Statutes (NRS) 612.607 has been revised in that Career Enhancement Program funds be used to benefit all Nevada workers, employed or unemployed.”</p> <p>DH language: “Qualified personnel are not available to run these centers.”</p> <p>AFL-CIO language: “The Workforce Investment Act (WIA) requires the lead WIA state agency to partner with labor organization who represent the majority of union affiliated dislocated worker.”</p> <p>CEP language: “The division does not employ staff whose responsibility is to provide training, only to connect workers to training opportunities.”</p> <p>This could be “yes” if it is a Career Enhancement Program or DH contract. If it is, all the questions following must be answered. Refer to prior years contracts for appropriate language, or consult with WISS supervisor and Chief.</p> <p>AFL-CIO language: “Governor’s designation through the State Workforce Investment Board.”</p> <p>The Solicitation Waiver is needed when it is a sole source and for a professional service if they are not one of the five listed in NAC333.150. The solicitation waiver box must be checked and the number issued by purchasing is to be entered in the space provided when the approved waiver is returned by purchasing. WISS completes the solicitation waiver and submits it electronically to Operations Management. After the Operations Manager and ESD Administrator sign, Operations Management will send the form to State Purchasing. State Purchasing will post the waiver for five (5) days. If there is no contest, Purchasing will assign a waiver number and return it to Operations Management. Operations Management will forward the number to WISS for inclusion on the summary.</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>Other Information</p> <p>11. <u>Contractor employed by the State of Nevada</u> Always "No."</p> <p>12. <u>Contractor ... engaged under contract by a State agency</u> For LWIB contracts, this will always "Yes." The explanations should read "(Contracting Agency) has been under contract with the Department of Employment, Training and Rehabilitation since (1999 for Nevadaworks and 2000 for SNWIB).</p> <p>13. <u>Contracts over \$25,000 per fiscal year . . .</u> LWIB contracts, this will be "No."</p> <p>Agency Field Contract Monitor: This is the WISS staff that will be monitoring the contracts. That staff member must initial after the printed name.</p>	<p>If this is new contract and contractor, it is the responsibility of WISS staff to determine which state agency the contractor had previously been contracted by. Inquiries to that entity may be made by telephone or e-mail to ascertain the needed information to complete this section.</p> <p>If this is new contract and contractor, it is the responsibility of WISS staff to determine which state agency the contractor had previously been contracted by. Inquiries to that entity may be made by telephone or e-mail to ascertain the needed information to complete this section.</p> <p>By initialing, staff are guaranteeing that they will ensure the contractor and/or vendor are providing services as specified in the contract</p>
FINANCIAL TRACKING of INTERLOCAL and INDEPENDENT CONTRACTS:	
<p>The Program Specialist will place in each Independent/Interlocal Contract a WISS <i>in-house</i> financial form. (<i>Green</i>)</p> <p>This form must be completed each time the WISS receives a written request for payment or other approved documentation.</p>	<p>THERE ARE NO EXEMPTIONS. THIS MUST BE DONE TO EACH AND EVERY INDEPENDENT CONTRACT AND INTERLOCAL AGREEMENT.</p>
<p>Excluding LWIBs, State Grantees (Displaced Homemakers, Statewide Labor Coordinator, e.g.) submit a request for reimbursement/ payment,* which are processed as follows:</p> <p>When these request(s) are received, the Program Specialist will complete the WISS <i>in-house</i> Financial form and verify with FM that funds are available. The program specialist stamps the request and completes the information on the appropriate lines. **</p> <p>The request is attached to the outside of the contract and given to the chief or designee for approval.</p>	<p>*These requests could be a letter or an invoice or a statement.</p> <p>** The stamp: Department of Employment, Training and Rehabilitation</p>

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>The WISS Chief or designee will sign and date the stamp**.</p> <p>This is taken to DETR-FM, date-stamped, copied, and given to appropriate FM personnel for processing.</p> <p>The copies are inserted into the Contract file at WISS.</p>	<p>WORKFORCE INVESTMENT SUPPORT SERVICES OK TO PAY</p> <p>BUDGET # _____</p> <p>Prog./Proj. # _____ Prog./Proj. # _____</p> <p>_____ Cat # _____ GL # _____ Cat # _____ GL # _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>Approved _____</p> <p>by: _____ Date: _____</p>
<p>When WISS receives a request for reimbursement from an LWIB, a DETR-FM Payment Approval form must be completed before processing. The request for reimbursement must be date stamped.</p>	<p><i>(This form is on the WISS J: drive in the Contracts section. A copy is attached to the end of this section)</i></p>
<p>The Program Specialist completes the Financial form and verifies are funds available.</p> <p>The request(s) for payment, including when appropriate back-up documentation, is attached to the front of the contract and is then given to the Chief or designee for signature approval.</p> <p>The Chief or designee will sign the Payment Approval Form and date it.</p>	<p>NOTE: The LWIBs will submit 1 original request. The original is attached to the Payment Approval Form for DETR-FM. When the Payment Approval Form and invoice are delivered to DETR-FM, they are date stamped and a copy made. A copy of the Payment Approval Form and the Invoice cover sheet is placed in a Pending Request for Reimbursement file folder as well.</p>
<p>Copies are taken of both the Request for Reimbursement and the Payment Approval Form and placed in the individual contract files (in the Request for Reimbursement section of the contract file). Another copy is placed in the Pending Request for Reimbursement file.</p> <p>The form(s) are now hand delivered to DETR-FM and are given to the appropriate staff.</p> <p>DETR-FM WILL COMPLETE THIS FORM.</p>	
<p>When the yellow copy of the Payment Transaction Form is returned to WISS it is attached to the copy of the invoice that was placed in the Pending Request for Reimbursement folder and then transferred to the WISS <i>in-house</i> Financial Form in the appropriate reimbursement file.</p>	
<p>WISS In-House FINANCIAL FORM:</p>	
<p>There are three sections to the form:</p> <p>< The top section will have information pertinent to the individual contract; (listed below Section</p>	

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
<p>I)</p> <p>< The middle section will have the financial part of the form. (Also, listed below Section II)</p> <p>< The bottom, open lines are for comments on changes, problems, resolutions, etc.</p>	
<p>Section I:</p> <p>This section of the form will consist of the following information that must be recorded for each of the Independent/Interlocal contracts:</p>	
GRANTEE:	Name.
TITLE:	The title the contract was awarded from.
PROGRAM OR FISCAL YEAR:	The start date of the contract.
REVENUE GL:	State controller assigns this number. (See Contract for the number.
CATEGORY NUMBER:	State controller assigns this number. (See Contract for the number.
INDEPENDENT/INTERLOCAL CONTRACT NUMBER:	The ID of the contract.
EXECUTED DATE:	Date the Agreement/Contract was approved by the Board of Examiners
AMOUNT OF CONTRACT:	Dollar amount awarded.
AMENDMENT #:	When applicable, due to changes within the Independent/Interlocal Contract.
DATED:	
REFERENCE LINE:	The number on the left hand side of the <i>in-house</i> form where the additional funds were added to the balance.
AMENDED CONTRACT BALANCE:	The GRAND total amount of the contract balance added to the Amended amount.
<p>Section II:</p> <p>This section of the form will consist of the following information that must be completed for each of the request for reimbursement/ request for funds, any type of payment from a contract:</p>	
DESCRIPTION:	Request or Invoice number.
DATE WISS RECEIVED THE REQUEST:	Date the request was received at WISS

PROCEDURE:	SPECIAL RULES/EXEMPTIONS:
DATE SENT TO DETR - FM:	Date the request was taken to DETR-FM.
AMOUNT REQUESTED:	Request or Invoice amount.
CONTRACT BALANCE:	Balance of contract after the request or invoice has been processed.
RECONCILIATION	A separate program specialist will check the amount on the green sheet compared to a running total in a contract log on the J: drive.
DETR-FM – WISS PAYMENT APPROVAL FORM:	
When a request has been received from an LWIB. The Payment Approval Form must be completed.	Note: This form is on the WISS J: drive.
GRANTEE / PAYEE:	What LWIB submitted the request.
INVOICE NUMBER:	Invoice number on the request.
INVOICE DATE:	Date on the request.
PROGRAM YEAR:	What program year the funds are to be taken from. **
CONTRACT NUMBER:	What the contract number is the funds are to be taken out of. *
TITLE NUMBER:	Title the funds are to be used. *
AMOUNT:	The amount of the request. *
SPECIAL INSTRUCTIONS:	DETR - FM COMPLETES THIS LINE.
	* These lines must be completed separately for each title amount of the request. (DO NOT COMBINE THE AMOUNT REQUESTED PER TITLE)
Signature lines: ▪ Approved for Payment, Date	Chief of WISS signs and dates here

WISS In-House Financial Form

GRANTEE: _____ TITLE: _____ PY: _____

Revenue#: _____ Category: _____ Agreement/Contract #: _____

Date Executed: _____ Contract Amount: \$ _____

AMEND #: _____ Dated: _____ Financial Impact \$\$+/-: _____ Amended Contract Amt\$ _____

AMEND #: _____ Dated: _____ Financial Impact \$\$+/- : _____ Amended Contract Amt\$ _____

AMEND #: _____ Dated: _____ Financial Impact \$\$+/- _____ Amended Contract Amt\$ _____

#	Description	DATE Rec'd	Date sent to DETR-FM	AMOUNT REQUESTED	CONTRACT BALANCE	Verification Initials/date
BEGINNING/FORWARDING BALANCE						
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
Ref						
Ref						
Ref						
Ref						
Ref						
Ref						
Ref						

CONTRACT COMPLIANCE CHECKLIST

Agency: (DETR-ESD-WISS) _____

Contract Monitor: (Chief of WISS) _____ Phone: _____

Contractor: (Who we are contracted with) _____ Phone: _____

Contract Term: (Dates of contract) _____ Contract Renewal Date(s): (ending date of current contract)

CONTRACT MILESTONES (Attachments if Necessary):

Milestones/(Deliverables or Renewals)	Date Due	Date Received
1. <i>(What WIA requires for use of the WIA funding)</i>		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

INSURANCE SCHEDULE REQUIREMENTS (Attachments if Necessary):

Coverage Required	Date* Policy Approved	Date Expires	Date Renewed	Date Increased* or Replaced
1.				
2.				
3.				
4.				
5.				

**Consultation with the Attorney General's office and/or Risk Management required.*

Agency's Contract Monitor _____

Date _____

ATTACHMENT C

DETR/ESD - Workforce Investment Support Services
 Workforce Investment Act
 REQUEST FOR REIMBURSEMENT
 AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

Nevadaworks
 6490 S. McCarran Blvd, Bld A, Unit 1
 Reno, NV 89509-6119

Request Date: 12/27/2010
 Forecast Through: 1/17/2011
 Invoice No.: 454S

Classification of this Request

Contract Number	Contract Award	Prior Balance	Amount of Request		Total amount of request	New Balance
			Operating	Provider		
#PY08-A/ARRA-01	\$1,897,173.00	\$277,570.46	\$3,899.88	\$16,506.58	\$20,406.46	\$257,164.00
#PY08-DW/ARRA-01	\$2,856,937.00	\$911,107.96	\$7,223.69	\$93,544.93	\$100,768.62	\$810,339.34
#PY09-GR/ARRA(08)-JATC-01	\$249,060.00	\$74,741.86			\$0.00	\$74,741.86
#PY09-GR/ARRA(08)-MAP-01	\$147,314.00	\$20,354.10			\$0.00	\$20,354.10
Total Request		\$1,283,774.38	\$11,123.57	\$110,051.51	\$121,175.08	\$1,162,599.30

Notes:

Signatures



Thomas C. Fitzgerald, CEO

12/23/2010
 Date

My signature below indicates that DETR/ESD/WISS has verified that the Board is eligible to receive WIA reimbursement in the requested amount.

DETR/ESD/WISS

Date

My signature below indicates that DETR/Financial Management (FM) has verified the balances reported by the SNWIB and payment is hereby authorized.

DETR/FM - Renee Olson, Chief Financial Officer

Date


DETR/ESD - Workforce Investment Support Services
 Workforce Investment Act
 REQUEST FOR REIMBURSEMENT

Nevadaworks
 6490 S. McCarran Blvd, Bld A, Unit 1
 Reno, NV 89509-6119

Request Date: 12/27/2010
 Forecast Through: 1/17/2011
 Invoice No.: 454

Classification of this Request

Contract Number	Contract Award	Prior Balance	Amount of Request		Total Amount of Request	New Balance
			Operating	Provider		
#PY09-A-01	\$2,700,124.00	\$0.00			\$0.00	\$0.00
#PY10-A-01	\$2,880,702.00	\$2,756,555.96	\$6,035.93	\$27,770.96	\$33,806.89	\$2,722,749.07
#PY10-DW-01	\$3,053,689.00	\$2,625,356.91	\$8,456.76	\$37,712.50	\$46,169.26	\$2,579,187.65
#PY10-Y-01	\$1,818,819.00	\$1,174,074.97		\$43,795.33	\$43,795.33	\$1,130,279.64
#PY08-GR(08)-WACA-01	\$146,500.00	\$18,819.92			\$0.00	\$18,819.92
#PY09-GR(08)-TMCC-01	\$173,894.00	\$16,566.17			\$0.00	\$16,566.17
#PY10-SESP-01	\$1,350,000.00	\$1,350,000.00			\$0.00	\$1,350,000.00
#PY10-GR(09)-I-01	\$75,000.00	\$56,250.00			\$0.00	\$56,250.00
Total Request		\$7,997,623.93	\$14,492.69	\$109,278.79	\$123,771.48	\$7,873,852.45
Notes:						

Signatures: 

Thomas C. Fitzgerald, CEO Date 12/23/100

My signature below indicates that DETR/ESDMISS has verified that the Board is eligible to receive WIA reimbursement in the requested amount.

DETR/ESDMISS Date

My signature below indicates that DETR/Financial Management (FM) has verified the balances reported by Nevadaworks and payment is hereby authorized.

DETR/FM - Renee Olson, Chief Financial Officer Date

ATTACHMENT D

DETR- Financial Management

Single Audit Procedure

Effective Date: 07/01/10
Revision Date: 07/01/10
Reference: 5c

SINGLE AUDIT

DESCRIPTION

Single Audit Reporting Form (SARF) submitted yearly to the State of Nevada Controller's Office.

RESPONSIBILITIES

The report is compiled by the Management Analyst III (PCN 0045) for the Rehabilitation Division and the Management Analyst III (PCN 0061) for the Employment Security Division. The report is submitted to the Deputy CFO (PCN 0040) for approval and submission to the Controller's Office.

PURPOSE

To remain in compliance with the Single Audit Act of 1984, each state agency that receives federal funds is required to provide the information requested on the Single Audit Reporting Form (SARF).

PROCEDURE

1. The Controller's Office forwards reporting forms and instructions to each agency as part of the closing process of each state fiscal year (SFY). The forms are due back to the Controller's Office the first part of September. The forms received from the Controller's Office contain fiscal totals through the prior SFY along with grant/award information.
2. Each form is used to report the financial transactions for a single grant award. In general the SARF indicates the cumulative receipts for a federal grant, the amount of carryover from the prior SFY, the cumulative expenditures for that federal grant, and the federal funds carried over to the next SFY. If funds were received and/or expended in a prior SFY, these amounts are also provided on the SARF. As a result, this form summarizes the total federal receipts and expenditures for the funding life of a grant award (all prior & current SFY).

H:\AUDIT PROJECTS\DETR Responses to Outside Audits\DETR Responses to Single Audits\Response to 2010 Single Audit Findings\Att D - 2010 Single Audit - DOL - 5c Single Audit Amended 07-01-10.doc 5c-1

3. Prior to submission to the Controller's Office, the Deputy CFO (PCN 0040) will perform an additional review of amounts reported and supporting documentation. Should any SARF require correction after submission, Financial Management staff corrects the form and provides an explanation in the comment section of the form.
4. The State of Nevada Integrated Financial System (IFS) is the official system of record for the Department. The data collected in IFS and DETR FM draw worksheets for each grant award are used to prepare the SARF's.
5. An electronic version of the Controller's Office SARF is created and printed for submission to the Controller's Office. This worksheet is saved in Excel under Q:\Single Audit Reporting\SFY XX . Refer to SARF reporting instructions provided by the Controller's Office for specific report procedures.
6. All financial transactions for awards made under the American Recovery and Reinvestment Act (ARRAA) must be reported for each federal ARRA award. Additionally, financial transactions for Program Income (Social Security Administration) and the Unemployment Insurance Trust Fund, although not grant funds, must be reported.
7. After submission of SARF's, The Controller's Office prepares a Schedule of Expenditures of Federal Awards (SEFA), which includes SARF reporting for all State agencies. A copy of the SEFA will be requested from the Controller's Office and reconciled to amounts reported in the SARF's.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT EDUCATION:

Finding 10-11:

Vocational Rehabilitation Cluster:

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

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

Criteria: *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 Employment, Training and Rehabilitation is required to submit annual RSA-2 Program Cost Reports, as well as quarterly SF-425 Federal Financial Reports for the Vocational Rehabilitation Cluster awards.

During testing of the annual RSA-2 report submitted during fiscal year 2010, we noted a formula error in a supporting worksheet that caused total expenditures reported to be understated by \$1,550,383. In addition, during testing of the SF-425 report for grant award H126A100041 submitted for the quarter ending March 31, 2010, we noted a formula error in the supporting worksheet that caused the total Federal share of expenditures to be understated by \$477,113.

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 reconciliation and review procedures in place to ensure that amounts included in the RSA-2 Program Cost Report and SF-425 Federal Financial Report were supported by the underlying accounting records.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance the procedures over the reporting process to ensure that all reports are reviewed and that a reconciliation of total expenditures to the underlying accounting records is performed prior to the submission.

Management's Response: See management's response on pages 161 through 164.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF EDUCATION:

Finding 10-12:

Vocational Rehabilitation Cluster:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:

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

Grant Award Number: Potentially affects all grant awards included under CFDA 84.126 and 84.390A on the Schedule of Expenditures of Federal Awards.

Criteria: *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.

Condition and Context: The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs.

During our reconciliation of the Vocational Rehabilitation Cluster expenditures to the SEFA, we noted that program income related to the Vocational Rehabilitation Cluster was not included on the SEFA under the correct CFDA number and title. Instead, it was reported as an unrelated program with an inaccurate CFDA number.

Questioned Costs: None.

Effect: Program income was not reported on the SEFA under the correct CFDA number and title, which resulted in Vocational Rehabilitation Cluster expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.

Cause: The Nevada Department of Employment, Training and Rehabilitation did not communicate the CFDA number and title for the program income to the Controller's Office.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation implement procedures to ensure the CFDA number and title for program income are communicated to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.

Management's Response: See management's response on pages 161 and 165 through 167.

BRIAN SANDOVAL
Governor



LARRY J. MOSLEY
Director

OFFICE OF THE DIRECTOR

March 4, 2011

Ms. Jean Yan, Program Administrator
U.S. Department of Education
Rehabilitation Services Administration
550 12th Street, S.W., Room 5010
Washington, D.C. 20004-2800

Subj: Response to 2010 Single Audit Issues /Concerns

Dear Ms. Yan,

This letter is in response to the annual Single Audit performed by Kafoury, Armstrong & Co. CPA's for Federal Programs administered by the Nevada Department of Employment, Training and Rehabilitation for the fiscal year ended June 30, 2010. The specific audit findings pertaining to the Rehabilitation Services Administration Federal Grants /Programs are listed below:

Findings 10-11 and 10-12 – Vocational Rehabilitation (VR) Cluster

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

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

Please feel free to contact me at (775) 684-3911 or my Deputy Director, Dennis Perea at (702) 486-6637 if you need further assistance.

Sincerely,



Larry J. Mosley, Director

cc: Dennis Perea, Deputy Director, DETR
Maureen Cole, Administrator, Vocational Rehabilitation Division, DETR
Renee Olsen, Chief Financial Officer, DETR
Duane E. Anderson, Chief Auditor, DETR
Kafoury, Armstrong & Co, Single Auditors
Shannon Ryan, Legislative Counsel Bureau, Audit Supervisor



State of Nevada
Department of Employment, Training and Rehabilitation (DETR)
Responses to Single Audit Findings
For the Year Ended June 30, 2010

Finding 10-11

Recommendation

We recommend the Nevada Department of Employment, Training and Rehabilitation (DETR) enhance the procedures over the reporting process to ensure that all reports are reviewed and that a reconciliation of total expenditures to the underlying accounting records is performed prior to the submission.

Nevada DETR's Response

The Financial Management Section of the Department has modified existing procedures to include enhanced review and reconciliation steps for federal grant and cost reports. See attached "5d Federal Reports Revised 03-01-11" – Attachment A. Additionally, the Financial Management Section of the Department has automated the data collection process for the RSA-2 report, and is in the process of automating data collection for all other federal reports with a projected completion date of October 1, 2011.

The formula errors in the RSA-2 and SF-425 supporting worksheets have been corrected, and corrected reports submitted electronically to RSA on February 25, 2011.

Finding 10-12

Recommendation

We recommend that DETR implement procedures to ensure the CFDA number and title for program income are communicated to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.

Nevada DETR's Response

The Financial Management Section of the Department re-submitted corrected expenditure information to the Controller's Office on November 19, 2010. Current procedures are in place to ensure federal expenditures are reported accurately for inclusion on the SEFA. See attached "5c Single Audit Amended 07-01-10" – Attachment B. Training will be provided by March 31, 2011 to Financial Management staff to ensure current procedures are followed.

ATTACHMENT A

DETR- Financial Management

Federal Reports

Effective Date: 03/01/11
Revision Date: 03/01/11
Reference: 5d

FEDERAL REPORTS

DESCRIPTION

Provide reporting to the federal agencies that award grant funds to DETR.

RESPONSIBILITIES

Monthly, quarterly, or annually, Financial Management (FM) prepares financial status reports for each active funding source. Reports are prepared by the Management Analyst III (PCN 0045) or designee for the Rehabilitation Division and the Management Analyst III (PCN 0061) or designee for the Employment Security Division. The Deputy Chief Financial Officer (PCN 0040) oversees the timeliness of the reports to ensure submission to the federal agency is in compliance with the deadline.

PURPOSE

The Department of Employment Training and Rehabilitation (DETR) receives federal grant funding from the United States Department of Labor (USDOL), the United States Department of Education, and the Social Security Administration (SSA). DETR receives contract funding from the Equal Employment Opportunity Commission (EEOC). Reports are completed to remain in compliance with the federal agency to ensure future funding.

PROCEDURE

1. Each federal grant has unique fiscal reporting requirements. FM prepares financial status reports for each active funding source. Reports are required until the point at which all funds have been expended or the period of availability has expired. The reporting requirements for each program are defined in the applicable Grant Solicitation Letter or other federal documents specific to the grant. All funds awarded and expended under the American Recovery and Reinvestment Act (ARRA) must be segregated and reported for each active funding source.

H:\AUDIT PROJECTS\DETR Responses to Outside Audits\DETR Responses to Single Audits\Response to 2010 Single Audit Findings\Att A - 2010 Single Audit - DOE - 5d Federal Reports Revised 03-01-11.doc

2. Reports are completed according to the reporting instructions provided by federal agencies for each required report. FM utilizes a comprehensive tracking spreadsheet to identify the timeframes federal reports are due. The spreadsheet is located at Q:\Federal Reports\Checklist Fed Reports Deadline. The spreadsheet also contains the FM staff designee responsible for the completion of the report.
3. Reports are reviewed and initialed by two independent staff members. The first reviewer will perform a reconciliation of total expenditures to underlying accounting records. The Chief Financial Officer (PCN 0004) or their designee will sign each report prior to electronic submission.
4. The State of Nevada Integrated Financial System (IFS) is the official system of record for the Department. The data collected in IFS is used to prepare the federal financial reports. When FM receives a federal grant, it establishes a job number with the State Controller's Office. The job number provides a unique accounting code used to track revenue and expenditures specific to that grant. In accordance with the Controller's Office requirements, the job number for the federal grant funding contains the Catalog of Federal Domestic Assistance (CFDA) number associated with the grant.
5. In any reporting period in which no activity took place, the required reports must still be filed in a timely manner. If no activity took place or no services were provided, report "zero" statistics and state why no activity took place for the quarter in question.
6. DETR may request in writing an extension to submit a report(s) late. Specifics to request an extension are within the grant reporting instructions.

ATTACHMENT B

DETR- Financial Management
Single Audit Procedure

Effective Date: 07/01/10
Revision Date: 07/01/10
Reference: 5c

SINGLE AUDIT

DESCRIPTION

Single Audit Reporting Form (SARF) submitted yearly to the State of Nevada Controller's Office.

RESPONSIBILITIES

The report is compiled by the Management Analyst III (PCN 0045) for the Rehabilitation Division and the Management Analyst III (PCN 0061) for the Employment Security Division. The report is submitted to the Deputy CFO (PCN 0040) for approval and submission to the Controller's Office.

PURPOSE

To remain in compliance with the Single Audit Act of 1984, each state agency that receives federal funds is required to provide the information requested on the Single Audit Reporting Form (SARF).

PROCEDURE

1. The Controller's Office forwards reporting forms and instructions to each agency as part of the closing process of each state fiscal year (SFY). The forms are due back to the Controller's Office the first part of September. The forms received from the Controller's Office contain fiscal totals through the prior SFY along with grant/award information.
2. Each form is used to report the financial transactions for a single grant award. In general the SARF indicates the cumulative receipts for a federal grant, the amount of carryover from the prior SFY, the cumulative expenditures for that federal grant, and the federal funds carried over to the next SFY. If funds were received and/or expended in a prior SFY, these amounts are also provided on the SARF. As a result, this form summarizes the total federal receipts and expenditures for the funding life of a grant award (all prior & current SFY).

H:\AUDIT PROJECTS\DETR Responses to Outside Audits\DETR Responses to Single Audits\Response to 2010 Single Audit Findings\Att B - 2010 Single Audit - DOE - 5c Single Audit Amended 07-01-10.doc 5c-1

3. Prior to submission to the Controller's Office, the Deputy CFO (PCN 0040) will perform an additional review of amounts reported and supporting documentation. Should any SARF require correction after submission, Financial Management staff corrects the form and provides an explanation in the comment section of the form.
4. The State of Nevada Integrated Financial System (IFS) is the official system of record for the Department. The data collected in IFS and DETR FM draw worksheets for each grant award are used to prepare the SARF's.
5. An electronic version of the Controller's Office SARF is created and printed for submission to the Controller's Office. This worksheet is saved in Excel under Q:\Single Audit Reporting\SFY XX . Refer to SARF reporting instructions provided by the Controller's Office for specific report procedures.
6. All financial transactions for awards made under the American Recovery and Reinvestment Act (ARRAA) must be reported for each federal ARRA award. Additionally, financial transactions for Program Income (Social Security Administration) and the Unemployment Insurance Trust Fund, although not grant funds, must be reported.
7. After submission of SARF's, The Controller's Office prepares a Schedule of Expenditures of Federal Awards (SEFA), which includes SARF reporting for all State agencies. A copy of the SEFA will be requested from the Controller's Office and reconciled to amounts reported in the SARF's.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF LABOR:

Finding 10-13:

Employment Services Cluster:

Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207:

ARRA - Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A:

Disabled Veterans' Outreach Program (DVOP), CFDA 17.801:

Local Veterans' Employment Representation Program, CFDA 17.804:

Grant Award Number: Potentially affects all grant awards included under CFDA 17.207, 17.207A, 17.801, and 17.804 on the Schedule of Expenditures of Federal Awards.

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

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

During our testing and reconciliation of the SARFs to the SEFA, we found instances where expenditures related to other Federal award programs were incorrectly reported to the Controller's Office as being expended under CFDA's 17.207 and 17.804. This caused the amounts included on the SEFA under the Employment Services Cluster to be overstated.

Questioned Costs: None.

Effect: The SEFA could be inaccurate, incomplete, and possibly misstated.

Cause: The Nevada Department of Employment, Training and Rehabilitation does not have adequate controls in place to ensure Federal expenditures are accurately reported for inclusion on the SEFA under the correct Federal award program.

Recommendation: We recommend the Nevada Department of Employment, Training and Rehabilitation enhance controls to ensure Federal expenditures are reported accurately for inclusion on the SEFA.

Management's Response: See management's response on page 133.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF AGRICULTURE:

U.S. DEPARTMENT OF EDUCATION:

Finding 10-14:

Child Nutrition Cluster:

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

Title I, Part A Cluster:

- Title I Grants to Local Educational Agencies, CFDA 84.010:
- ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A:

Special Education Cluster:

- Special Education – Grants to States, CFDA 84.027:
- Special Education – Preschool Grants, CFDA 84.173:
- ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:
- ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Grant Award Number: Potentially affects all grant awards included under CFDA numbers 10.555, 84.010, and 84.027 on the Schedule of Expenditures of Federal Awards.

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

Condition and Context: The National School Lunch Program (CFDA 10.555), Title I Grants to Local Educational Agencies (CFDA 84.010), and Special Education – Grants to States (CFDA 84.027) are covered by the State of Nevada *Amended Treasury State Agreement No. 1* for fiscal year 2010. The terms of this agreement specify that the recipient, Nevada Department of Education, will request Federal funds in accordance with the Average Clearance, 3-5 day funding technique for the programs listed above.

During our testing, we performed procedures to determine whether the State of Nevada complied with the terms and conditions of the Treasury-State Agreement. We noted that the Nevada Department of Education did not always adhere to the specified funding techniques.

The Average Clearance funding technique provides that the State shall request funds such that they are deposited via Automated Clearing House (ACH) in a State account on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance

pattern specified for the program. The specified clearance patterns are as follows:

10.555 - National School Lunch Program – 5 days

84.010 – Title I Grants to Local Educational Agencies – 4 days
(administrative component only)

84.027 – Special Education – Grants to States – 3 days
(administrative component only)

However, the State calculates the requests for Federal funds based on payroll check dates and expenditures recorded as issued in the accounting system, rather than following the clearance patterns listed above.

Questioned Costs:

None.

Effect:

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

Cause:

The Nevada Department of Education did not adhere to the funding technique described in the Treasury-State Agreement, and did not request that the Treasury-State Agreement be amended to reflect the actual funding technique used.

Recommendation:

We recommend the Nevada Department of Education ensure that the Treasury-State Agreement reflects the actual funding technique used, and adhere to the approved funding technique.

Management's Response:

See management's response on page 173.

KEITH W RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

**TEACHER LICENSURE
SOUTHERN NEVADA OFFICE**
9890 S. Maryland Parkway
Suite 221
Las Vegas, Nevada 89183
(702) 486-6458
Fax: (702)486-6450

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



GREG T. WEYLAND
Deputy Superintendent
Administrative and Fiscal Services

**SATELLITE OFFICE
ADDRESSES/MAPS**
<http://www.doe.nv.gov>

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

March 7, 2011

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Cynthia Turner, Director
Financial Management
USDA, Western Regional Office
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the School Breakfast Program, CFDA 10.553, The National School Lunch Program, CFDA 10.555, Special Milk Program for Children, CFDA 10.556, Summer Food Service Program for Children, CFDA 10.559, Title I Grants to Local Education Agencies, CFDA 84.010, Title I grants to Local Education Agencies Recovery Act, CFDA 84.389, Special Education-Grants to States, CFDA 84.027, Special Education-Preschool Grants, CFDA 84.173, ARRA Special Education – Grants to States, Recovery act, CFDA 84.391, and ARRA Special Education – Preschool Grants, Recovery Act, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2010. Kafoury, Armstrong's finding 10-14 concerns this program.

Finding 10-14 resulted in the following recommendations:

We recommend the Nevada Department of Education ensure that the Treasury Agreement reflects the actual funding technique used, and adhere to the approved funding technique.

Nevada Department of Education response:

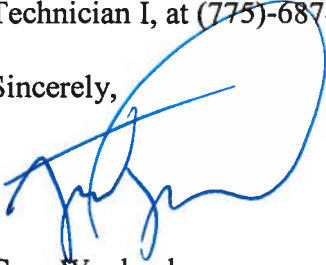
The Nevada Department of Education accepts the finding and initiated action in the previous year. The auditors noted that Federal funds should be drawn on a 3-5 day clearance pattern but that the funds were being drawn to coincide with the payment of salaries.

Corrective Action:

Effective July 1, 2010, the CMIA agreement included guidance for average clearance with regard to salaries. Salaries should be on a one day clearance pattern, but since funds cannot be received on a Saturday, the funds should be credited to the state's bank account on Friday.

If you have any questions, please contact either Robert Pawley, Assistant Director of Fiscal Services, at (775)-687-9179 or email at rpawley@doe.nv.gov, or Tina Kramer, Account Technician I, at (775)-687-9176 or email at tkramer@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Director Special Education and ESEA programs
Donnell Barton, Director Child Nutrition and School Health
Robert Pawley, Assistant Director Fiscal Services
Tina Kramer, Account Technician I

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF EDUCATION:

Finding 10-15:

Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010:

ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A:

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027:

Special Education – Preschool Grants, CFDA 84.173:

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Grant Award Number: Potentially affects all grant awards included under CFDA 84.389A, 84.391A, and 84.392A on the Schedule of Expenditures of Federal Awards (SEFA).

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

Condition and Context: As part of our testing, we reviewed the Title I and Special Education contracts with subrecipients that included ARRA funds and tested disbursements of ARRA funds to subrecipients. During this testing, we noted that the assurances included in the State's online system of subrecipient communication, electronic Plans, Applications, Grants and Expenditures (ePAGE), did not identify the Federal award number, the CFDA number or the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms. In addition, ARRA funds were not identified as such at the time of disbursement to the subrecipient.

Questioned Costs: None.

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

Cause: The Nevada Department of Education did not have procedures in place to ensure that all required aspects of the ARRA funds were communicated to subrecipients.

Recommendation:

We recommend the Nevada Department of Education implement procedures to ensure that all information required to be provided to subrecipients under the ARRA is communicated.

Management's Response:

See management's response on pages 176 through 177.

KEITH W RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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GLORIA P. DOPF
Deputy Superintendent
Instructional, Research and Evaluative
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GREG T. WEYLAND
Deputy Superintendent
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March 7, 2011

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991
Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies, CFDA 84.010, ARRA Title I grants to Local Education Agencies Recovery Act, CFDA 84.389, Special Education-Grants to States, CFDA 84.027, Special Education-Preschool Grants, CFDA 84.173, ARRA Special Education – Grants to States, Recovery act, CFDA 84.391, and ARRA Special Education – Preschool Grants, Recovery Act, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2010. Kafoury, Armstrong's finding 10-15 concerns this program.

Finding 10-15 resulted in the following recommendations:

We recommend the Nevada Department of Education implement procedures to ensure that all information required be provided to the subrecipients under the ARRA is communicated

Nevada Department of Education response:

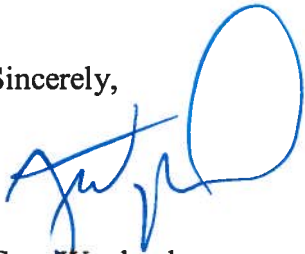
The Nevada Department of Education accepts the finding and is initiating immediate corrective action steps as noted below to insure compliance by May 1, 2011. The auditors noted that procedures were not in place to ensure that all required aspects of the ARRA funds were communicated to the subrecipients.

Corrective Action:

Effective May 1, 2011, the assurances for ePage will be updated to insure that all ARRA grant applications will have specific information for ARRA awards. This information will include the CFDA number and title, the Grant Title and award number as well as the indication that this is an ARRA grant from the US Department of Education. The information will also be related, that the subrecipients SEFA's and Data collection forms must have ARRA expenditures identified specifically. The Department will include on the memo line of all ARRA disbursements information specifically identifying a payment as ARRA funds.

If you have any questions, please contact either Sharyn Peal, epage manager, at (775)-687-9212 or email at speal@doe.nv.gov or Karen Stephens, ePage manager, at (775)-687-9235 or email at kstephens@doe.nv.gov. or Robert Pawley, Assistant Director of Fiscal Services, at (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Director Special Education and ESEA programs
Sharyn Peal, ePage manager
Karen Stephens, ePage manager
Robert Pawley, Assistant Director Fiscal Services

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF EDUCATION:

Finding 10-16:

Title I, Part A Cluster:

Title I Grants to Local Educational Agencies, CFDA 84.010:

ARRA – Title I Grants to Local Educational Agencies, Recovery Act, CFDA 84.389A:

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027:

Special Education – Preschool Grants, CFDA 84.173:

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.010, 84.389A, 84.027, 84.173, 84.391A, and 84.392A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> provides that a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and name of the Federal awarding agency.
<i>Condition and Context:</i>	As part of our testing over subrecipient monitoring, we reviewed subrecipient awards in the State's online electronic Plans, Applications, Grants and Expenditures (ePAGE) system, for communication of required information, and noted that the assurances included for the awards did not include the CFDA title and number, award name and number, or the name of the Federal awarding agency.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.
<i>Cause:</i>	The Nevada Department of Education did not have adequate procedures in place to ensure subrecipient awards made through the ePAGE system contained all of the required information.
<i>Recommendation:</i>	We recommend the Nevada Department of Education implement procedures to ensure subrecipient awards made through the ePAGE system contain all of the required information.
<i>Management's Response:</i>	See management's response on pages 179 through 180.

KEITH W RHEAULT
Superintendent of Public Instruction

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March 7, 2011

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
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400 Maryland Avenue, SW
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Washington DC 20202
202-260-0991

Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officers,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies, CFDA 84.010, ARRA Title I grants to Local Education Agencies Recovery Act, CFDA 84.389, Special Education-Grants to States, CFDA 84.027, Special Education-Preschool Grants, CFDA 84.173, ARRA Special Education – Grants to States, Recovery act, CFDA 84.391, and ARRA Special Education – Preschool Grants, Recovery Act, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2010. Kafoury, Armstrong's finding 10-16 concerns this program.

Finding 10-16 resulted in the following recommendations:

We recommend the Nevada Department of Education implement procedures to ensure subrecipient awards made through the ePage system contains all of the required information.

Nevada Department of Education response:

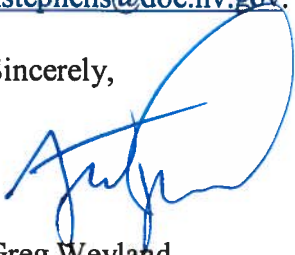
The Nevada Department of Education accepts the finding and is initiating immediate corrective action steps as noted below to insure compliance by May 1, 2011, before final applications for FY2012 are due to Department of Education staff for review. The auditors noted that not all required information pertaining to federal awards may be contained in the assurances on the Departments electronic grant system known as ePage. Specifically, the CFDA number and title, the Grant award name and award number, or the name of the Federal awarding agency.

Corrective Action:

Effective May 1, 2011, the assurances for ePage will be updated to insure that all grant applications will have specific information for each grant award. This information will include the CFDA number and title, the Grant Title and current award number as well as the indication that this is a grant from the US Department of Education.

If you have any questions, please contact either Sharyn Peal, epage manager, at (775)-687-9212 or email at speal@doe.nv.gov or Karen Stephens, ePage manager, at (775)-687-9235 or email at kstephens@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Rorie Fitzpatrick, Director Special Education and ESEA programs
Sharyn Peal, ePage manager
Karen Stephens, ePage manager

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF EDUCATION:

Finding 10-17:

Special Education Cluster:

Special Education – Grants to States, CFDA 84.027:

Special Education – Preschool Grants, CFDA 84.173:

ARRA – Special Education – Grants to States, Recovery Act, CFDA 84.391A:

ARRA – Special Education – Preschool Grants, Recovery Act, CFDA 84.392A:

Grant Award Number: Potentially affects all grant awards included under CFDA 84.391A and 84.392A on the Schedule of Expenditures of Federal Awards.

Criteria: *Section 1512 of the American Recovery and Reinvestment Act (ARRA)* includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

Condition and Context: During testing of the Section 1512 ARRA reports submitted for the quarter ended March 31, 2010, we noted that \$10,594, an amount representing a payment to a subrecipient, was incorrectly included as an expenditure and funds invoiced/received amount on the report for grant H391A090043A, and conversely, was excluded from the expenditure and funds invoiced/received amount on the report for grant award H392A090046A.

Questioned Costs: None.

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

Cause: The Nevada Department of Education did not have adequate controls and review procedures in place to ensure the Section 1512 ARRA reports were accurate. The amounts reported were not reconciled to the underlying accounting system.

Recommendation: We recommend the Nevada Department of Education enhance controls and review procedures to ensure reports are accurate, and that the amounts reported as expenditures and receipts are reconciled to the underlying accounting system.

Management's Response: See management's response on pages 182 through 183.

KEITH W RHEAULT
Superintendent of Public Instruction

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March 7, 2011

Patricia McKee, Acting Director
Student Achievement and School Accountability Programs
U.S. Department of Education
400 Maryland Avenue, SW
LBJ Building, Rm 3W106
Washington DC 20202
202-260-0991
Genee C. Norbert
Education Program Specialist
U.S. Dept of Education
Office of Special Education Programs
550 12th St., SW
Washington, DC 20012
202 245-7326

Dear Program Officer,

Kafoury, Armstrong and Co. CPAs performed an annual Single Audit of the Title I Grants to Local Education Agencies, CFDA 84.010, ARRA Title I grants to Local Education Agencies Recovery Act, CFDA 84.389, Special Education-Grants to States, CFDA 84.027, Special Education-Preschool Grants, CFDA 84.173, ARRA Special Education – Grants to States, Recovery act, CFDA 84.391, and ARRA Special Education – Preschool Grants, Recovery Act, CFDA 84.392 administered by the Nevada Department of Education for the year ended June 30, 2010. Kafoury, Armstrong's finding 10-17 concerns this program.

Finding 10-17 resulted in the following recommendations:

We recommend the Nevada Department of Education enhance controls and review procedures to ensure reports are accurate, and that the amounts reported as expenditures and receipts are reconciled to the underlying accounting system.

Nevada Department of Education response:

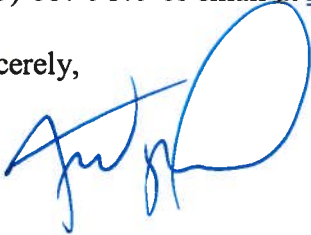
The Nevada Department of Education accepts the finding and is initiating enhanced reporting controls as noted below to ensure reporting accuracy and reconciliation by April 1, the next reporting cycle for ARRA federal reports.

Corrective Action:

Effective April 1, 2011, all federal financial report backup information will be reconciled to the Nevada Department of Education's accounting system, the state accounting system and the Federal cash system, to ensure all financial reports are accurate and balanced with all pertinent financial systems.

If you have any questions, please contact Robert Pawley, Assistant Director of Fiscal services, (775)-687-9179 or email at rpawley@doe.nv.gov.

Sincerely,



Greg Weyland
Deputy Superintendent, Nevada Department of Education

Cc: Shannon Ryan CPA, Audit Supervisor, Legislative Counsel Bureau
Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education
Robert Pawley, Assistant Director Fiscal Services

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-18:

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:

ARRA - Child Care and Development Block Grant, CFDA 93.713A:

Grant Award Number: Potentially affects all grant awards under CFDA 93.575, 93.596, and 93.713A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* for the Child Care and Development Fund Cluster provides that individuals must meet certain eligibility requirements in order to receive child care subsidies. Further, the State agency must maintain adequate documentation of eligibility determination, and have verification and internal control procedures to ensure the accuracy of the data used in determining the child care subsidy.

Condition and Context: As part of our audit procedures, we selected a sample of payments for individuals for whom child care subsidies were paid. The Nevada Division of Welfare and Supportive Services was unable to obtain the information used for determining eligibility and subsidy amounts from a contracted service provider for three of the 40 payments selected for testing. The unsupported payments amounted to \$1,120.

Questioned Costs: Undetermined.

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 documentation was available to support eligibility determinations performed by contracted service providers.

Recommendation: We recommend the Nevada Division of Welfare and Supportive Services enhance controls to ensure that documentation is available to support eligibility determinations performed by contracted service providers.

Management's Response: See management's response on page 186.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-19:

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:

ARRA - Child Care and Development Block Grant, CFDA 93.713A:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.575, 93.596 and 93.713A 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 Division of Welfare and Supportive Services is required to submit quarterly ACF-696 Child Care and Development Fund Financial Reports for the Child Care and Development Fund Cluster.

During testing of the quarterly ACF-696 report for the quarter ended March 31, 2010, we noted an error in which the ending amounts from the prior quarter report, which had been amended, were not carried forward properly, resulting in an understatement of the cumulative expenditures by \$74,941. The amounts carried forward were those included on the original prior quarter report.

Questioned Costs: None.

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

Cause: The Nevada Division of Welfare and Supportive Services did not have adequate reconciliation and review procedures in place to ensure that amounts included in the ACF-696 Child Care and Development Fund Financial Report were supported by the underlying accounting records prior to submission.

Recommendation: We recommend the Nevada Division of Welfare and Supportive Services enhance the procedures over the reporting process to ensure that all reports are reviewed and that a reconciliation of total expenditures to the underlying accounting records is performed prior to submission.

Management's Response: See management's response on pages 186 through 187.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF WELFARE AND SUPPORTIVE SERVICES
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MICHAEL J. WILLDEN
Director

ROMAINE GILLILAND
Administrator

March 11, 2011

Ms. Sharon M. Fujii, RA
Administration for Children & Families, Region IX
90 7th St., 9th Floor
San Francisco, California 94103

Dear Ms. Fujii,

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several grant programs administered by the Nevada State Division of Welfare and Supportive Services (DWSS) for the fiscal year ended June 30, 2010. Included in the audit were the 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 and ARRA-Child Care and Development Block Grant CFDA 93.713A. Kafoury, Armstrong's findings 10-18 and 10-19 concern this program.

Finding 10-18 resulted in the following recommendation:

We recommend the Nevada Division of Welfare and Supportive Services enhance controls to ensure that documentation is available to support eligibility determinations performed by contracted service providers.

DWSS Response:

The Division of Welfare and Supportive Services (DWSS) accepts this finding and believes these missing documents are a direct result of the transition from one contractor to another in southern Nevada. The auditors noted that adequate controls were not in place to ensure documentation was available to support eligibility determinations performed by contracted services. There was some confusion during this transition and we believe these documents were misplaced or wrongly filed.

Corrective Action:

When the new contractor realized various documents could not be located at the start of their contract, a procedure was promptly implemented to track the location and movement of each file in the computer system. Case managers are now required to note each file movement whether it is to another manager or to a different district office. As a result of this procedure, DWSS Child Care staff recently requested files for an internal management review, all of which were received. While corrective measures are already in place, we will continue to monitor through internal reviews in order to strengthen this weakness and maintain stronger controls on files and documents.

Finding 10-19 resulted in the following recommendation:

We recommend the Nevada Division of Welfare and Supportive Services enhance the procedures over the reporting process to ensure that all reports are reviewed and that a reconciliation of total expenditures to the underlying accounting records is performed prior to submission.

DWSS Response:

The Division of Welfare and Supportive Services has reviewed and accepts this finding. The auditors noted DWSS did not have adequate reconciliation and review procedures in place to ensure that amounts included in the ACF-696 Child Care and Development Fund Financial Report were supported by the underlying accounting records prior to submission.

Corrective Action:

When the cited error occurred controls were in place requiring the preparer to reconcile quarterly expenditures from the state's accounting system to the quarterly ACF-696 report. Review procedures also required confirmation of the quarterly reported


Sharon M. Fujii
March 11, 2011
Page Two

expenditures to the state accounting system. However, in this instance, when an amended report was submitted after the review, the corrected balances were not brought forward to worksheets for the new quarter's report. Because review and reconciliation procedures did not require verification of total cumulative grant year expenditures from quarter to quarter, the error on the ACF-696 for the quarter ending March 31, 2010 was not detected.

DWSS has implemented additional controls over the reporting process to include verification of cumulative grant year expenditures from the prior quarter's report by both the preparer and the reviewer effective with this quarter's report.

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

Sincerely,



Romaine Gilliland
Administrator

cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau
Sue Smith, Deputy Administrator, Administrative Services
Deborah Braun, Deputy Administrator, Program/Field Operations
Lynn Massell, Chief Accountant
Jerry Gerald Allen, Chief, Child Care
Jeanne Gregg, Auditor III, PRE

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-20:

Public Health Emergency Preparedness, CFDA 93.069:

HIV Care Formula Grants, CFDA 93.917:

Immunization Cluster:

Immunization Grants, CFDA 93.268:

ARRA – Immunization, CFDA 93.712A:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.069, 93.917, and 93.268 on the Schedule of Expenditures of Federal Awards.

Criteria: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

Condition and Context: The Nevada State Health Division did not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

As part of our audit procedures, we tested a sample of subrecipients to verify that the Nevada State Health Division ensured that required audits were completed, issued management decisions on audit findings, and ensured corrective actions were taken on audit findings. We noted that the Nevada State Health Division did not review audit reports for findings for all subrecipients.

Questioned Costs: None.

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

Cause: The Nevada State Health Division did not have adequate procedures in place to ensure that subrecipient audit reports were completed timely, management decisions were issued for subrecipient findings, and corrective actions were taken on audit findings.

Recommendation: We recommend the Nevada State Health Division implement procedures to ensure subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe.

Management's Response: See management's responses on pages 191 through 192, 194 through 195, 197 through 198 and 199 through 200.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-21:

Public Health Emergency Preparedness, CFDA 93.069:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.069 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.
<i>Condition and Context:</i>	<p>The Nevada State Health Division is required to submit an annual SF-269 Financial Status Report for the Public Health Emergency Preparedness awards.</p> <p>For grant award number 5 U90/TP916964-09, an original and several revised versions of the project period final SF-269 report were submitted during fiscal year 2010. We selected the original report to test, but the Nevada State Health Division was unable to provide supporting documentation for that report. We subsequently tested the final revised version which was submitted in November 2010, and we noted that the amounts reported could not be reconciled to the accounting system.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Inaccurate information may have been reported to the Federal granting agency.
<i>Cause:</i>	The Nevada State Health Division did not have adequate procedures in place to ensure that amounts included in the SF-269 report could be reconciled to the underlying accounting system and that supporting documentation was retained.
<i>Recommendation:</i>	We recommend the Nevada State Health Division implement procedures to ensure that all reports are reconciled to the underlying accounting system and that supporting documentation is appropriately retained.
<i>Management's Response:</i>	See management's response on pages 192 through 193.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-22:

HIV Care Formula Grants, CFDA 93.917:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments</i> , amounts charged to Federal programs must be for allowable costs. To be allowable under Federal awards the cost must (1) be adequately documented; and (2) be allocable to the Federal award.
<i>Condition and Context:</i>	As part of our testing over Allowable Costs/Cost Principles, we tested a sample of transactions for conformance with the criteria contained in the “Basic Guidelines” section of OMB Circular A-87. For one of the transactions selected, no supporting documentation was available. The expenditure was for recurring monthly information technology services which are allocated based on the number of personnel assigned to the program activities. Subsequently, we obtained documentation of the previous month’s information technology services transaction in order to establish the reasonableness of the unsupported charge, and we noted that the amount was calculated based on seven personnel positions. However, of the seven individuals, one individual was assigned to work 50 percent on this Federal award, and 50 percent on another Federal award. As a result, amounts not allocable to the HIV Care Formula Grants were charged to the award.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Unallowable costs could be charged to the Federal program.
<i>Cause:</i>	The Nevada State Health Division did not follow the policies and procedures in place to ensure that amounts charged to the Federal program were appropriately allocated, and that adequate supporting documentation was retained.
<i>Recommendation:</i>	We recommend that the Nevada State Health Division follow the policies and procedures in place to ensure that amounts charged to Federal programs are appropriately allocated and that adequate documentation is retained to support the allowability of costs.
<i>Management’s Response:</i>	See management’s response on pages 195 through 196.

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

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

March 7, 2011

Glynnis Taylor
Centers for Disease Control and Prevention
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Koger Center, Colgate Building
2920 Brandywine Road, Mail Stop K 69
Atlanta, GA 30341

Dear Ms. Taylor

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2010. Included in the audit was the Public Health Emergency Preparedness Program, CFDA 93.069.

The following response is provided in response to the June 30, 2010 audit of our Division.

Finding 10-20:

The Nevada State Health Division does not have adequate procedures in place to ensure that sub-recipient audit reports were completed timely, management decisions are issued for sub-recipient findings, and corrective actions are taken on audit findings.

Management's Response:

As previously noted in the response to finding 08-1, and 09-23 the Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- The Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.

- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then review implement the action required, up to and including corrective action plans, and follow up until the required action is complete. Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are being developed.
- Once reviewed, the Administrative Services Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 10-21:

The Nevada State Health Division did not have adequate procedures in place to ensure that amounts included in the SF-269 report could be reconciled to the underlying accounting system and that supporting documentation is appropriately retained.

Management's Response:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with OMB Circular A-133. Internal Controls have been revised to add additional levels of review and approval for the Financial Status Reports to ensure correct amounts are being reported and documented. The additional levels will include the assigned Administrative Services Officer and the Program Manager. Reports from the State's Accounting system documenting each amount reported will be attached and cross-referenced to ensure that the reported amounts are properly documented in the State's accounting system.

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV at 775-684-4044 or e-mail at pweyrick@health.nv.gov .

Sincerely,



Richard Whitley, Administrator

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division
Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division
Stacey Johnson, ASO III, Department of Health and Human Services, Health Division
Luana Ritch, Bureau Chief, Department of Health and Human Services, Health Division,
Bureau of Health Statistics, Planning, epidemiology and Response

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

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

March 7, 2011

Karen L. Mercer, M.S., NCC, CSC-AD
Chief, Western Services Branch
United States Department of Health & Human Services
Health Resources and Services Administration (HRSA)
HIV AIDS Bureau, Division of Service Systems
5600 Fishers Lane, Room 7A-55
Rockville, MD 20857

Dear Ms Mercer:

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2010. Included in the audit was the Ryan White Part B CARE Program, CFDA 93.917.

The following response is provided in response to the June 30, 2010 audit of our Division.

Finding 10-20:

The Nevada State Health Division did not have adequate procedures in place to ensure that sub-recipient audit reports were completed timely, management decisions were issued for sub-recipient findings, and corrective actions were taken on audit findings.

Management's Response:

As previously noted in the response to finding 08-1, and 09-23 the Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- The Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then review implement the action required, up to and including corrective action plans, and follow up until the required action is complete. Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are being developed.
- Once reviewed, the Administrative Services Officer IV will initial the report and the spreadsheet maintained by the contract monitor will be updated to reflect this action. The reports will then be filed within the Health Division Financial Services Unit file room.

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 10-22:

The Nevada State Health Division did not follow the policies and procedures in place to ensure that amounts charged to the Federal program were appropriately allocated and that adequate supporting documentation was retained.

Management's Response:

The Division's HIV Care program will implement policies and procedures to ensure that all billings are coded correctly and allocated to the appropriate funding source. The Health Program Specialist II, Beth Handler, is the management official responsible for corrective action at this level. For recurring monthly charges, such as the Department of Information Technology billings for phones and internet usage, the Administrative Services Officer assigned to the Bureau will review each monthly invoice and ensure that the coding reflects the actual approved allocation of FTE in that budget account.

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at pweyrick@health.nv.gov .

Sincerely,



Richard Whitley, Administrator

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

STATE OF NEVADA

BRIAN SANDOVAL
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MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

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

March 7, 2011

Michael Vance, Grants Management Specialist
Centers for Disease Control and Prevention (CDC)
Acquisition and Assistance Branch I
2920 Brandywine Road, Mail Stop K-14
Atlanta, GA 30341

Dear Mr. Vance:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2010. Included in the audit was the Immunization Program, CFDA 93.268.

The following response is provided in response to the June 30, 2010 audit of our Division.

Finding 10-20:

The Nevada State Health Division did not have adequate procedures in place to ensure that sub-recipient audit reports are completed timely, management decisions were issued for sub-recipient findings, and corrective actions are taken on audit findings.

Management's Response:

As previously noted in the response to finding 08-1, and 09-23 the Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- The Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will

then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then review implement the action required, up to and including corrective action plans, and follow up until the required action is complete. Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are being developed.

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

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 10-24:

The Nevada State Health Division did not provide the amount of non-cash assistance and related CFDA numbers to the Controller's Office, therefore Federal expenditures were not reported completely and accurately on the SEFA.

Management's Response:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with OMB Circular A-133. Internal Controls have been revised to add additional levels of review and approval for the Schedule of Federal Awards (SEFA) to ensure correct amounts are being reported, including non-cash assistance. The additional levels will include the assigned Administrative Services Officer and the Program Manager.

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at pweyrick@health.nv.gov.

Sincerely,



Richard Whitley, Administrator

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

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

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

March 7, 2011

Debera Campbell, Grants Management Specialist
Centers for Disease Control and Prevention (CDC)
OCCO/PGO/AABII
1600 Clifton Road, Mailstop: K-14
Atlanta, GA 30333

Dear Ms. Campbell:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2010. Included in the audit was the ARRA 317 Immunization & Vaccines for Children Grants, CFDA 93.712A.

The following response is provided in response to the June 30, 2010 audit of our Division.

Finding 10-20:

The Nevada State Health Division did not have adequate procedures in place to ensure that sub-recipient audit reports are completed timely, management decisions were issued for sub-recipient findings, and corrective actions are taken on audit findings.

Management's Response:

As previously noted in the response to finding 08-1, and 09-23 the Health Division has undertaken actions to improve internal procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients.

- The Division's contract monitor maintains a spreadsheet listing all sub-recipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed and forwarded to the Health Division.
- As A-133 audits are to be completed within nine months of the end of their fiscal year end, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer IV for the Division, who will review the audit reports for any findings therein. The ASO IV will

then assign the appropriate action to the Administrative Services Officer assigned to the budget accounts responsible for the individual sub-recipient agreements. This person will then review implement the action required, up to and including corrective action plans, and follow up until the required action is complete. Policies and procedures for reviewing audit reports, issuing management decisions on audit findings, implementing necessary corrective actions, and follow up activities are being developed.

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

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

Finding 10-24:

The Nevada State Health Division did not provide the amount of non-cash assistance and related CFDA numbers to the Controller's Office, therefore Federal expenditures were not reported completely and accurately on the SEFA.

Management's Response:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with OMB Circular A-133. Internal Controls have been revised to add additional levels of review and approval for the Schedule of Federal Awards (SEFA) to ensure correct amounts are being reported, including non-cash assistance. The additional levels will include the assigned Administrative Officer and the Program Manager.

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at pweyrick@health.nv.gov .

Sincerely,



Richard Whitley, Administrator

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

Public Health: Working for a Safer and Healthier Nevada

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-23:

HIV Care Formula Grants, CFDA 93.917:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
<i>Condition and Context:</i>	<p>The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt and use of program income.</p> <p>During our reconciliation of the HIV Care Formula Grant expenditures to the SEFA, we noted that program income transferred to and expended by the Nevada Aging and Disability Services Division was not included on the SEFA, which resulted in Federal expenditures being understated and may be an indicator that the State is not managing the funds in accordance with the grant agreements.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	All program income expenditures were not reported on the SEFA.
<i>Cause:</i>	The Nevada Aging and Disability Services Division did not communicate information regarding the expenditure of funds transferred from the Nevada Health Division to the Controller's Office for inclusion on the SEFA.
<i>Recommendation:</i>	We recommend the Nevada Aging and Disability Services Division implement procedures to ensure information regarding the expenditure of funds transferred from the Nevada Health Division is communicated to the Controller's Office to ensure that Federal expenditures are included on the SEFA.
<i>Management's Response:</i>	See management's response on pages 202 through 203.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AGING AND DISABILITY SERVICES DIVISION

3416 Goni Road, D-132
Carson City, Nevada 89706

(775) 687-4210 • Fax (775) 687-4264
adسد@adسد.nv.gov

MICHAEL WILLDEN
Director

CAROL SALA
Administrator

March 3, 2011

Ms. Karen L. Mercer, M.S., NCC, CSC-AD
Chief, Western Services Branch
5600 Fishers Lane Room 7A-55
Rockville, MD 20857

RE: Response to Audit Findings for the HIV Care Formula Grants

Dear Ms. Mercer,

Kafoury, Armstrong & Co. CPAs performed a Single Audit of the HIV Care Formula Grants CFDA 93.917 administered by the Nevada Health Division for the fiscal year ended June 30, 2010. The Health Division sub-grants a portion of this funding to the Nevada Aging and Disability Services Division. Kafoury, Armstrong's finding 10-23 concern the sub-granted portion of this program.

Audit Finding 10-23 resulted in the following recommendation:

We recommend the Nevada Aging and Disability Services Division implement procedures to ensure information regarding the expenditure of funds transferred from the Nevada Health Division is communicated to the Controller's Office to ensure that Federal expenditures are included on the SEFA.

Aging and Disability Services Division (ADSD) Response:

The division has procedures in place for single audit reporting of all division grants. Reporting for the HIV Care Formula Grant was overlooked, as it is a part of the Senior and Disability Rx program that was transferred to the division July 1, 2009, and there was some confusion regarding what type of funding was used to support the sub-grant from Health e.g. general fund or federal funds. On January 6, 2011 Susan Hart of the Controller's Office contacted Michele Silzell of the Health Division and requested ADSD complete the single audit report for the amount transferred to the division for the HAX grant. ADSD completed the report shortly after the request.

Corrective Action:

The division has added the HAX grant to their single audit reporting requirements and will assure future reporting is completed by the stated deadlines. These actions are the responsibility of the ASO1 and will be reviewed by the ASO3.

If there are any questions or concerns regarding our response or corrective action plan, please do not hesitate to contact Brenda Berry, ASO 3, at 775-687-4290 x 342 or blberry@adsd.nv.gov for assistance.

Sincerely,



Carol Sala,
Administrator, Aging and Disability Services Division

CC: Debbie Clark, Kafoury, Armstrong & Co.
Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau
Robin Hager, Budget Analyst 4, Department of Administration
Mike Torvinen, DHHS Deputy Director
Kim Huys, Deputy Administrator, ADSD
Brenda Berry, ASO 3, ADSD

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-24:

Immunization Cluster:

Immunization Grants, CFDA 93.268:

ARRA – Immunization Grants, CFDA 93.712A:

Grant Award Number: Affects the Direct Assistance amounts included under CFDA 93.268 and 93.712A 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. This should include, in either the SEFA or a note to the SEFA, the value of Federal awards expended in the form of non-cash assistance. While not required, it is preferable to present this information in the schedule.

Condition and Context: The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA and the note to the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by the State agencies who administer the various Federal award programs. Federal expenditure information provided should include the receipt of use of non-cash assistance.

During our testing and reconciliation of the SEFA, we noted that the amount for Immunization program non-cash assistance was not included on the SEFA. When the omission was identified, the Nevada State Health Division provided the non-cash amounts to the Controller's Office, but did not identify the related CFDA numbers, and portions of the amount subsequently included on the SEFA were listed under an inaccurate CFDA number in the cluster.

Questioned Costs: None.

Effect: The non-cash expenditures were not reported on the SEFA, which resulted in Federal expenditures being understated.

Cause: The Nevada State Health Division did not have adequate procedures in place to ensure the amount of non-cash assistance and related CFDA numbers were provided to the Controller's Office.

Recommendation: We recommend the Nevada State Health Division implement procedures to provide non-cash assistance information related to Federal awards to the Controller's Office to ensure that Federal expenditures are reported completely and accurately on the SEFA.

Management's Response: See management's responses on pages 198 and 200.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-25:

Social Services Block Grant, CFDA 93.667:

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

Criteria: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

Condition and Context: During our testing of subrecipient monitoring, we noted that the Nevada Department of Health and Human Services did not have procedures in place to monitor the receipt and review of required audit information from subrecipients.

As part of our audit procedures, we tested a sample of three subrecipients to verify that the Nevada Department of Health and Human Services had procedures in place to ensure that audits were completed when required, management decisions were issued when appropriate and corrective actions on all audit findings were taken by the subrecipients. We noted that the Nevada Department of Health and Human Services did not review audit reports and issue management decisions when required, for findings included in the audit reports of the two subrecipients tested who were found to be subject to OMB Circular A-133.

Questioned Cost: None.

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

Cause: The Nevada Department of Health and Human Services did not have adequate procedures in place to ensure that subrecipient audit reports were received and reviewed when required.

Recommendation: We recommend the Nevada Department of Health and Human Services implement procedures to ensure that subrecipient audits are obtained and reviewed when required.

Management's Response: See management's response on page 207.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-26:

Social Services Block Grant, CFDA 93.667:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.667 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	As noted in <i>OMB Circular A-133</i> , a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.
<i>Condition and Context:</i>	As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards made during fiscal year 2010 for communication of required information, and noted that the awards did not include the CFDA title and number.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.
<i>Cause:</i>	The Nevada Department of Health and Human Services did not have adequate procedures in place to ensure subrecipient awards contained all of the required information.
<i>Recommendation:</i>	We recommend the Nevada Department of Health and Human Services implement procedures to ensure subrecipient awards contain all of the required information.
<i>Management's Response:</i>	See management's response on pages 207 through 208.



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIRECTOR'S OFFICE
4126 Technology Way, Suite 100
Carson City, Nevada 89706
Telephone (775) 684-4000 • Fax (775) 684-4010
<http://dhhs.nv.gov>

March 7, 2011

Ms. Latasha N. Abney
Office of Community Services
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, SW
5th Floor, West
Washington, DC 20447

Dear Ms. Abney,

Kafoury, Armstrong & Co. CPAs performed an annual Single Audit of the Social Services Block Grant program, CFDA 93.667, administered by the Nevada Department of Health and Human Services, Director's Office, Grants Management Unit for the fiscal year ended June 30, 2010. Kafoury, Armstrong & Co. findings 10-25 and 10-26 concerns this program.

Finding 10-25 resulted in the following recommendation:

We recommend the Nevada Department of Health and Human Services implement procedures to ensure that subrecipient audits are obtained and reviewed when required.

DHHS-DO Response:

The Director's Office accepts this finding and is initiating immediate corrective action steps as noted below. Procedural implementation and compliance will be achieved by July 1, 2011, to ensure that subrecipient audits are obtained and reviewed when required. The auditors noted that noncompliance at the subrecipient level may occur and not be detected by the State.

Corrective Action:

Effective July 1, 2011, all subrecipients will be notified and informed of OMB Circular A-133 audit requirements through an annual audit information survey. In addition, audit requirements will be added to the Grant Instructions and Requirements (GIRS) and will appear on the Notice of Grant Award (NOGA) Terms and Conditions. A copy of the annual audit from subrecipients will be submitted at the time of the grant award process and verified through Federal Audit Clearinghouse (FAC). These actions will be the responsibility of the Grant Manager.

Finding 10-26 resulted in the following recommendation:

We recommend the Nevada Department of Health and Human Services implement procedures to ensure subrecipient awards contain all of the required information.

DHHS-DO Response:

The Director's Office accepts this finding and has corrected the internal procedures for identifying the Catalog of Federal Domestic Assistance (CFDA) title and number as outlined below. The auditors noted that subrecipients may be unaware of specific Federal award information and requirements, which could result in noncompliance at the subrecipient level.

Corrective Action:

Effective July 1, 2010, the CFDA title and number appeared on all Notice of Grant Awards (NOGA). In the future, the CFDA title and number will also appear in instructional materials associated with Requests for Applications. In addition, CFDA titles and numbers will be added to closed SSBG FY09 grants since these grants were the subject of this audit. These actions will be the responsibility of the Grant Manager and will be reviewed by the Chief of the Grants Management Unit.

The Director's Office is confident that the corrective action plans for both findings will overcome these concerns and secure full policy compliance. If you have any questions, please contact Earline Robertson, Social Services Specialist III, at 775-684-3474.

Sincerely,



Michael Torvinen, Deputy Director for Fiscal Services
Nevada Department of Health and Human Services

Cc: Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF EDUCATION:

Finding 10-27:

Early Intervention Services (IDEA) Cluster:

Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181:

ARRA - Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A:

Grant Award Number: Potentially affects all grant awards under CFDA 84.181 and 84.393A on the Schedule of Expenditures of Federal Awards.

Criteria: The OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Condition and Context: During our testing of salary and benefit charges to this program for employees at the Nevada State Health Division, it was noted that personnel submitted exception-only time cards that were signed by the employee and a supervisor. Some personnel were charged solely to the IDEA program and some were charged to multiple activities, including the IDEA program. We noted that not all personnel indicated on the time cards the program(s) worked on or the time allocation. Because the time cards did not identify the Federal programs and time allocation on them, the time cards did not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

During our testing of salary and benefit charges to this program for employees at the Nevada Aging and Disability Services Division (ADSD), we tested support for employees charged to the IDEA program for two pay periods. For the pay period ended in August 2009, it was noted that the personnel submitted exception-only time cards that were signed by the employee and a supervisor. All of those employees were charged solely to the IDEA program, and we noted that they did not identify on the time cards the program they had worked on. For the second pay period tested for those employees, which ended in May

2010, we noted that in addition to the time cards, all employees had completed a Time Allocation Report for the pay period, which reflected an after-the-fact distribution of the actual activity and was signed by both the employee and a supervisor. Pursuant to changes made by the 2009 Legislature, the Nevada Office of Disabilities Services, which previously administered the IDEA program, merged into the Nevada ADSD. Beginning January 1, 2010 the Nevada ADSD management implemented the requirement for Time Allocation Reports to be completed by ADSD personnel charged to the IDEA program. It appears that adequate procedures for payroll certification were in place for those personnel by June 30, 2010 at the Nevada ADSD.

Questioned Costs:

Undetermined.

Effect:

Unallowable costs could be charged to the Federal program.

Cause:

Adequate procedures were not in place throughout the year to ensure costs charged to the Federal program were supported by required documentation and certifications.

Recommendation:

We recommend that the Nevada State Health Division implement procedures to ensure amounts charged to Federal programs are supported by the required documentation and certifications, and that, in the future, the ADSD implement procedures timely to ensure amounts charged to Federal programs are supported by required documentation and certifications.

Management's Response:

See management's responses on pages 212 and 214 through 215.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF EDUCATION:

Finding 10-28:

Early Intervention Services (IDEA) Cluster:

Special Education_Grants for Infants and Families with Disabilities, CFDA 84.181:

ARRA - Special Education_Grants for Infants and Families with Disabilities, CFDA 84.393A:

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

Criteria: Section 1512 of the American Recovery and Reinvestment Act (ARRA) includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.

Condition and Context: During testing of the Section 1512 ARRA report submitted for the quarter ended March 31, 2010 for grant award H393A090019A, we noted the supporting documentation did not reconcile to the accounting system, which caused total expenditures reported to be understated by approximately \$6,600.

Questioned Costs: None.

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

Cause: The Nevada Aging and Disability Services Division did not have adequate reconciliation procedures in place to ensure that amounts included in the Section 1512 ARRA report were supported by the underlying accounting records.

Recommendation: We recommend the Nevada Aging and Disability Services Division enhance the procedures over the reporting process to ensure that all amounts reported are reconciled to the underlying accounting records prior to submission.

Management's Response: See management's response on page 213.



BRIAN SANDOVAL
Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AGING AND DISABILITY SERVICES DIVISION

3416 Goni Road, D-132
Carson City, Nevada 89706

(775) 687-4210 • Fax (775) 687-4264
adsd@adsd.nv.gov

MICHAEL WILLDEN
Director

CAROL SALA
Administrator

March 3, 2011

Tammy Proctor, Education Program Specialist
Office of Special Education Programs
Monitoring and State Improvement Division
550 12th St.
SW Washington, DC 20202

RE: Response to Audit Findings for the Special Education Grants for Infants and Families with Disabilities

Dear Ms. Proctor,

Kafoury, Armstrong & Co. CPAs performed a Single Audit of the Special Education Grants for Infants and Families with Disabilities, CFDA 84.181 and CFDA 84.393A (ARRA), administered by the Nevada Aging and Disability Services Division (ADSD) for the fiscal year ended June 30, 2010. Kafoury, Armstrong findings 10-27 and 10-28 concern this program.

Audit Finding 10-27 resulted in the following recommendation:

We recommend that the Nevada State Health Division implement procedures to ensure amounts charged to Federal programs are supported by the required documentation and certifications.

Aging and Disability Services Division (ADSD) Response:

There were no findings against ADSD; however, since the division was in non-compliance the first half of FY2010, the auditor asked that we respond. IDEA Part C was transferred to the division on July 1, 2009 along with other programs. The division had an established Cost Allocation Plan (CAP) which required 100% time tracking by all division staff; however, there were no cost pools established for the transferred programs, so their staff was not able to report time in the time tracking system.

Corrective Action:

After the transfer was approved by the Legislature in the 2009 Session, the division worked with the Division of Health Care Finance and Policy to revise their CAP to include IDEA Part C and other programs. The CAP and related procedures which include 100% time tracking were approved/implemented January 1, 2010. CAP monitoring is the responsibility of the Administrative Services Officer 1 (ASO1) and is reviewed by the ASO3.

Audit Finding 10-28 resulted in the following recommendation:

We recommend the Nevada Aging and Disability Services Division enhance the procedures over the reporting process to ensure that all amounts reported are reconciled to the underlying accounting records prior to submission.

Aging and Disability Services Division (ADSD) Response:

1512 reporting requirements were split between ADSD and the Health division, as the majority of the funding was passed through to the Health division for direct services. The Health division agreed they would collect data and report the amount expended to ADSD. ADSD would review to assure expenditures were allowable and upload the report to the federal website. Because this process was new, ADSD did not have a procedure in place to audit the data provided by the Health division.

Corrective Action:

Effective January 26, 2011, ADSD implemented a procedure which requires the Health division to provide detailed backup of all expenditures related to IDEA request for funds, as well as at the end of each quarter to support the 1512 amounts reported. These actions are the responsibility of the ASO1 and will be reviewed by the ASO3.

If there are any questions or concerns regarding our response or corrective action plan, please do not hesitate to contact Brenda Berry, ASO 3, at 775-687-4290 x 342 or blberry@adsd.nv.gov for assistance.

Sincerely,



Carol Sala,
Administrator, Aging and Disability Services Division

CC: Debbie Clark, Kafoury, Armstrong & Co.
Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau
Robin Hager, Budget Analyst 4, Department of Administration
Mike Torvinen, DHHS Deputy Director
Kim Huys, Deputy Administrator, ADSD
Brenda Berry, ASO 3, ADSD

STATE OF NEVADA

BRIAN SANDOVAL
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

TRACEY D. GREEN, MD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION

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

March 7, 2011

Tammy Proctor, Education Program Specialist
Office of Special Education Programs
Monitoring and State Improvement Division
550 12th St. SW
Washington, DC 20202

Dear Ms. Proctor:

Kafoury, Armstrong & Co., CPAs performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2010. Included in the audit was the Special Education Grants for Infants & Families with Disabilities, CFDA 84.181 and the ARRA Special Education Grants for Infants & Families with Disabilities, CFDA 84.393A.

The following response is provided in response to the June 30, 2010 audit of our Division.

Finding 10-27:

The Nevada State Health Division did not have adequate procedures in place to ensure that costs charged to the Federal program were supported by required documentation and certifications.

Management's Response:

The Health Division has undertaken actions to improve internal procedures to ensure compliance with OMB Circular A-87. Internal Controls have been revised to require documentation on time cards to allocate all time and effort to the applicable federal activities each pay period. Additional review of the time cards has also been implemented and will be a requirement of the assigned Administrative Services Officer (ASO), as well as a primary responsibility of each supervisor and manager. Exceptions found during the ASO review will be reported to the Bureau Chief and immediate action will be taken to resolve any discrepancies.

Public Health: Working for a Safer and Healthier Nevada

These actions should be completed and implemented by April 30, 2011. The Administrative Services Officer IV, Phil Weyrick, is the high level management official responsible for corrective action.

If additional information is required, please contact Phil Weyrick, Administrative Services Officer IV, at 775-684-4044 or by e-mail at pweyrick@health.nv.gov .

Sincerely,



Richard Whitley, Administrator

cc: Debra Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division
Philip Weyrick, ASO IV, Department of Health and Human Services, Health Division
Stacey Johnson, ASO III, Department of Health and Human Services, Health Division
Mary Wherry, Community Health Nursing Manager, Department of Health and Human Services, Health Division

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 10-29:

Medicaid Cluster:

State Medicaid Fraud Control Units, CFDA 93.775:

State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777:

Medical Assistance Program, CFDA 93.778:

ARRA – Medical Assistance Program, CFDA 93.778A:

Grant Award Number: Affects grant awards included under CFDA 93.775 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 Office of the Attorney General is required to submit quarterly SF-269 Financial Status Reports.

During testing of two quarterly SF-269 Financial Status Reports submitted during fiscal year 2010, we noted a formula error in the supporting spreadsheets that caused total program income reported to be understated by \$102,698 and \$200,987 for the December 31, 2009 and March 31, 2010 reports, respectively.

Questioned Costs: None.

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

Cause: The Nevada Office of the Attorney General did not have adequate reconciliation procedures in place to ensure that amounts included in the SF-269 Financial Status Report were supported by the underlying accounting records.

Recommendation: We recommend the Nevada Office of the Attorney General enhance the procedures over the reporting process to ensure that all amounts required to support the reported amounts are reconciled to the underlying accounting records.

Management's Response: See management's response on pages 217 through 218.



STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL

100 North Carson Street
Carson City, Nevada 89701-4717

CATHERINE CORTEZ MASTO
Attorney General

KEITH G. MUNRO
Assistant Attorney General
GREGORY SMITH
Chief of Staff

March 9, 2011

Office of the Inspector General
Office of Management and Policy
Room 5545, HHS Cohen Building
330 Independence Avenue, S.W.
Washington, D.C. 20201

Attention: Alexis Lynady

Dear Ms. Lynady:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of the Medicaid Cluster, active during the grant fiscal year 2010 from October 1, 2009 through September 30, 2010. Kafoury, Armstrong's finding 10-29 concerns the State Medicaid Fraud Control Unit, CFDA 93.775:

Finding 10-29 resulted in the following recommendation:

"We recommend that the Nevada Office of the Attorney General enhance the procedures over the reporting process to ensure that all amounts required to support the reported amounts are reconciled to the underlying accounting records.

Nevada Office of Attorney General Response:

The State Medicaid Fraud Control Unit Management Analyst II for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 10-29:

The finding was based on a formula error on the SF269 spreadsheet that calculated "Total Program Income Realized" which caused total program income reported to be understated in the December 31, 2009 and March 31, 2010 reports. The formula error consisted of subtracting line 10(i) twice to come up with the total Program Income Realized. This formula has been corrected in all SF269 reports submitted for the periods beginning April 1, 2010 through June 30, 2010.


Page 2

Written policies and checklists will be developed prior to the filing of the next Form 425 (new combined SF269 and SF272 forms) for the quarter beginning January 1, 2011 through March 31, 2011 due on April 30, 2011. This will be done by Susan Hanshew, Management Analyst II and reviewed by Debra Crowley, Chief Financial Officer.

If you have any further questions, please contact me at (775) 684-1286 or shanshew@ag.nv.gov; or you may contact Debra Crowley, Chief Financial Officer of the Nevada Office of the Attorney General at (775) 684-1116 or dcrowley@ag.nv.gov.

Sincerely,

CATHERINE CORTEZ MASTO
Attorney General

By: 
SUSAN HANSHEW
Management Analyst II
(775) 684-1286

Cc: Shannon Ryan, Audit Supervisor, LCB
Debra Crowley, CFO, Nevada Attorney General
Debbie Clark, Kafoury, Armstrong & Co.
State Medicaid Fraud Control Unit CFDA 93.775 Administrative Files

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF JUSTICE:

Finding 10-30:

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

<i>Grant Award Number:</i>	Affects the grant award included under CFDA 16.588A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>Section 1512 of the American Recovery and Reinvestment Act (ARRA)</i> includes reporting requirements for awards received directly from the Federal awarding agency. Prime recipients are required to report the cumulative draws/funds requested and the cumulative expenditure amounts in the quarterly Section 1512 ARRA report.
<i>Condition and Context:</i>	During testing of the Section 1512 ARRA report submitted for the quarter ended March 31, 2010 for grant award 2009-EF-S6-0006, we noted the supporting documentation did not reconcile to the accounting system which caused total expenditures reported to be understated by approximately \$107,000. We also noted that the total Federal ARRA funds received/invoiced amount reported represented the expenditure amount rather than the amount received/invoiced.
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Inaccurate information was reported to the Federal granting agency.
<i>Cause:</i>	The Nevada Office of the Attorney General did not have adequate reconciliation procedures in place to ensure that amounts included in the Section 1512 ARRA report were supported by the underlying accounting records.
<i>Recommendation:</i>	We recommend the Nevada Office of the Attorney General enhance the procedures over the reporting process to ensure that all amounts included on the Section 1512 ARRA report are reconciled to the underlying accounting records prior to submission.
<i>Management's Response:</i>	See management's response on page 222.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF JUSTICE:

Finding 10-31:

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

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 16.588 and 16.588A on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	<i>OMB Circular A-133</i> requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements.
<i>Condition and Context:</i>	<p>The Nevada Office of the Attorney General is required to submit quarterly SF-425 Federal Financial Reports for the Violence Against Women Grants awards.</p> <p>During testing of SF-425 reports submitted for the quarter ended March 31, 2010 for grant awards 2009-EF-S6-0006, 2008-WE-AX-0054, and 2007-WE-AX-0016, we noted that amounts reported did not agree to the accounting records which caused total expenditures reported to be overstated by \$10,282, \$16,963, and \$26,393, respectively.</p>
<i>Questioned Costs:</i>	None.
<i>Effect:</i>	Inaccurate information was reported to the Federal granting agency.
<i>Cause:</i>	The Nevada Office of the Attorney General did not have adequate reconciliation procedures in place to ensure that amounts included in the SF-425 Federal Financial Reports were supported by the underlying accounting records.
<i>Recommendation:</i>	We recommend the Nevada Office of the Attorney General enhance the procedures over the reporting process to ensure that all amounts included in the SF-425 Federal Financial Reports are reconciled to the underlying accounting records prior to the submission.
<i>Management's Response:</i>	See management's response on page 223.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF JUSTICE:

Finding 10-32:

Violence Against Women Formula Grants, CFDA 16.588:

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

Grant Award Number: Affects the grant award included under CFDA 16.588A on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Circular A-133 Compliance Supplement* requires that recipients agree to separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, Catalog of Federal Domestic Assistance (CFDA) number, and the amount of American Recovery and Reinvestment Act (ARRA) funds.

Condition and Context: As part of our audit procedures we tested disbursements of ARRA funds paid to subrecipients. During this testing, we noted that the Federal award number, CFDA number and the amount of ARRA funds were not identified as such at the time of the disbursement to subrecipients.

Questioned Costs: None.

Effect: Subrecipients may be unaware of specific Federal award information, which could result in noncompliance at the subrecipient level.

Cause: The Nevada Office of the Attorney General did not have procedures in place to ensure that all information required to be provided to subrecipients under the ARRA was communicated to subrecipients at the time of disbursement of funds.

Recommendation: We recommend the Nevada Office of the Attorney General implement procedures to ensure that all information required to be provided to subrecipients under the ARRA is communicated to subrecipients at the time of disbursement of funds.

Management's Response: See management's response on pages 223 through 224.



STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL

100 North Carson Street
Carson City, Nevada 89701-4717

CATHERINE CORTEZ MASTO
Attorney General

KEITH G. MUNRO
Assistant Attorney General
GREGORY M. SMITH
Chief of Staff

March 11, 2011

Kim Galvin, STOP Program Manager
Office on Violence Against Women
U.S. Department of Justice
145 N Street NE, 10th Floor
Washington, DC 20530

Dear Ms. Galvin:

Kafoury, Armstrong and Company CPAs performed an annual Single Audit of STOP grant program, CFDA 16.588, active during the Nevada fiscal year 2010, which ended June 30, 2010. Included in the audit was grant activity from STOP fiscal years 2007, 2008, 2009 and 2009 ARRA-STOP (Recovery CFDA 16.588 A). Kafoury, Armstrong's findings 10-30 through 10-32 concerns the STOP ARRA (Recovery) and STOP programs.

Finding 10-30 resulted in the following recommendation:

"We recommend that the Nevada Office of the Attorney General enhance the procedures over the reporting process to ensure that all amounts included on the Section 1512 ARRA report are reconciled to the underlying accounting records prior to submission."

Nevada Office of Attorney General Response:

Although this problem originated with difficulties encountered during the first couple of ARRA online reporting cycles, the STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 10-30:

Our "official" ARRA reporting policies were revised to reflect information given by various Help Desk staff and by trial and error attempts to report during the early part of the ARRA programs before all the online reporting glitches had been worked out. These adaptive practices have become institutionalized in our ARRA reporting and we have not been diligent about trying to go back and follow the original intent of the federal reporting guidelines. We will implement those intended reporting policies during the upcoming ARRA reporting cycle for January – March 2011. If we continue to experience problems, we will persist with federal reporting Help Desk staff until the cause is identified and corrected. We will then implement and follow correct ARRA reporting procedures until the funding is completely expended.

Finding 10-31 resulted in the following recommendation:

“We recommend that the Nevada Office of the Attorney General enhance the procedures over the reporting process to ensure that all amounts included in the SF-425 Federal Financial Reports are reconciled to the underlying accounting records prior to submission.”

Nevada Office of Attorney General Response:

The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 10-31:

We have recognized that the system of individual Excel grant tracking tables developed years ago do not always mesh well with our state accounting system, particularly in the area of allocated personnel expenditures and timeliness of manual updates to the Excel table. While some table – and staffing – improvements were made in 2010, we have received an influx of new grants in the past year and our current system is not only inadequate for our current needs, but has proven too be extremely vulnerable to human error. We are in the process of developing a more consistent allocation of staff time to each individual grant so that this can be better tracked directly through the state accounting system. We are also looking at other grant tracking systems and policies being used by other state agencies to balance grant expenditures and encumbrances to the state accounting system and at available commercial products. We want a solution that resolves our fiscal grant tracking without placing undue time and spending restrictions on STOP and ARRA STOP sub-grantees. We hope to have this system in place no later than May 15, 2011. We have also hired a fiscal assistant to help develop and implement these systems and written policies and to keep all financial records up to date. They will also reconcile the individual grant tracking with the state accounting system on a weekly basis. This position will be filled as of March 15, 2011.

Finding 10-32 resulted in the following recommendation:

“We recommend that the Nevada Office of the Attorney General implement procedures to ensure that all information required to be provided to subrecipients under ARRA is communicated to subrecipients under the ARRA was communicated to subrecipients at the time of disbursement of funds.”

Nevada Office of Attorney General Response:

The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

Corrective Action for Finding 10-32:

A full staff meeting for the AG Grants Unit has been scheduled for March 15, 2011 and all audit findings and corrective action plans will be discussed including Finding 10-32. From that point forward we will track and note all ARRA funding to subrecipients when performing desk audits on monthly claim reports. The Grants & Projects Analyst responsible for ARRA reporting will also revise training and policies to comply with this finding. The STOP Administrator will work directly with AG Accounting staff to implement a policy and language that will need to be included during voucher entry to ensure that ARRA subrecipients get notice of the ARRA source and amounts included in their reimbursement check or EFT documentation. This information will be conveyed to Accounting verbally and in a written memorandum.

If you have any further questions, please contact me at (775) 684-1148 or egreb@ag.nv.gov; or you may contact Debra Crowley, Chief Financial Officer of the Nevada Office of the Attorney General at (775) 684-1116 or dcrowley@ag.nv.gov.

Sincerely,

CATHERINE CORTEZ MASTO
Attorney General

By: _____



ELIZABETH GREB
Grants & Projects Analyst III &
Nevada STOP Administrator
(775) 684-1148

Cc: Shannon Ryan, Audit Supervisor, LCB
Debra Crowley, CFO, Nevada Attorney General
Debbie Clark, Kafoury, Armstrong & Co.
STOP, ARRA-STOP, SASP, GTEAP & RURAL Admin Files



State of Nevada
Office of State Controller
Carson City, Nevada 89701-4786

Kim R. Mallin, CMA, CFM, CPA
State Controller

Office: (775) 684-5777
Fax: (775) 684-5696

March 17, 2011

Kafoury, Armstrong and Co.
Certified Public Accountants
6140 Plumas Street
Reno, NV 89519

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, 2010.

Finding 08-1:

Program: Department of Health and Human Services, Health Division
Public Health Emergency Preparedness, CFDA 93.069:
Immunization Grants, CFDA 93.268:
Centers for Disease Control and Prevention_ Investigations and Technical Assistance,
CFDA 93.283:
National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

Finding Summary: As noted in the OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings. An audit of state fiscal year 2010 practices finds that these conditions continue to exist.

State's Response: As previously noted in the response to finding 07-5, the Health Division has implemented procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients:

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.
- As A-133 audits are to be completed within nine months of the end of their fiscal year, he/she will collect those reports which have been submitted and follow up on those which have not.
- All reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The reports will then be filed within the Health Division Financial Services Unit file room.
- In addition, a new assurance page has been added to the standard sub-grant template requiring all sub-recipients to acknowledge in writing that they are responsible to provide a copy of their audit report to the Health Division within 9 months after the end of their fiscal year.

Implementation of these procedures is not complete and more follow-up on the application of the procedures is needed.

Finding Status: Not corrected.

Finding 08-2:

Program: Department of Health and Human Services, Health Division
Centers for Disease Control and Prevention_ Investigations and Technical Assistance,
CFDA 93.283:

Finding Summary: OMB Circular A-133 requires that reports submitted to the Federal awarding agency include all activity of the reporting period, are supported by the underlying accounting or performance records, and are presented in accordance with program requirements.

During testing of the final Financial Status Report for grant award number U90/CCU916964-07-4, we determined that, although the cumulative amount included in the report could be traced to the accounting system, the supplemental reports that included information for the three separate program objectives (Base, Cities Readiness Initiative, and Pandemic Flu) could not be reconciled to the accounting system. Additionally, the final report for that grant award was required to be filed by November 30, 2007; an interim report was filed December 12, 2007, and the final report was not filed until March 24, 2008.

State's Response: The Nevada State Health Division has created a tracking calendar and spreadsheet to track all timelines for submittals of Financial Status Reports to ensure compliance with due dates. In addition, during SFY09 the Division created separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier. DAWN printouts are attached to the backup for all financial reports to document that figures reported are correct and substantiated by the State's official accounting records.

Finding Status: Corrected.

Finding 08-3:

Program: Department of Health and Human Services, Health Division
Centers for Disease Control and Prevention_ Investigations and Technical Assistance,
CFDA 93.283:

Finding Summary: The OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that the Nevada State Health Division assigns percentages of time that employees are to work on multiple Federal programs, including the Centers for Disease Control and Prevention, Investigations and Technical Assistance. The employees' salaries and benefits are charged to the Federal programs according to the percentage assigned to their position. The time cards signed by employees are exception-only reports that do not identify the programs or the time allocation on them. Because the time cards do not identify the Federal programs and time allocation on them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

State's Response: The Nevada State Health Division during SFY08 converted from an off-line payroll reporting system to use of the on-line NEATS -- Nevada Employee Action Tracking System, which resulted in certain documentation and certifications no longer being maintained. The Nevada State Health Division is in the process of ensuring that all employees who are federally funded list their funding in the notes of the NEATS timesheet. Additionally, the Division is working with the State Department of Personnel to explore other time reporting options within the existing NEATS framework. Fiscal and program staff has been advised and instructed to monitor to ensure such documentation is present. Each Administrative Services Officer assigned to a Health Division Bureau will monitor timesheets and documentation to insure that compliance is achieved no later than October 30, 2010.

Finding Status: Partially corrected.

Finding 08-5:

Program: Department of Health and Human Services, Health Division
HIV Care Formula Grants, CFDA 93.917:

Finding Summary: As noted in the OMB Circular A-133 Compliance Supplement, the State is responsible to ensure funds expended for women, youth, infants, and children with HIV disease are not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS.

During our audit, we examined the report prepared by State personnel to support this earmarking requirement. The report included reimbursed expenditures to subrecipients categorized by the various populations involved (women, youth, infants or children). Based on the total percentage of women, infants, children and youth with AIDS to the general population, the State was required to expend, in total, at least 17.51 percent of the funds to serve the women, infant, children and youth population. The State expended, in total, 18.41 percent of the funds for these populations. However using the ratio of individual populations involved, the State was required to expend \$928,624 and \$301,714 for women and youth with AIDS, respectively, but only \$827,697 and \$85,943 were expended for these two elements of the populations, respectively. While it appears that the State satisfied the earmarking requirements for infants and children, the shortages of expenditures for women and youth were \$100,927 and \$215,771, respectively.

State's Response: The Division's HIV Care program has implemented policies and procedures to provide for monitoring the program to ensure that amounts expended for women, youth, infants and children with HIV are at, or above, the amount prescribed, and are continuing to request guidance on the feasibility of completing a waiver request, if

necessary. A waiver may be necessary since Nevada does not always have the incidence of disease within those specific populations.

Finding Status: Corrected.

Finding 08-7:

Program: Department of Health and Human Services, Division of Welfare and Supportive Services
Temporary Assistance for Needy Families (TANF), CFDA 93.558:

Finding Summary: The OMB Circular A-133 Compliance Supplement for the TANF program states that “If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance”.

We obtained a list of case files where the TANF recipient was identified by the State’s IV-D agency as being non-cooperative with the Child Support Enforcement program through means of a system-generated alert processed by the Nevada Operations of Multi-Automated Data Systems (NOMADS) during 2008. It is the State’s policy to terminate, rather than reduce, benefits in such cases. However, this policy was not uniformly adhered to.

State’s Response: The Division of Welfare and Supportive Services accepts this finding and is initiating immediate corrective action steps as noted below to ensure procedural implementation and compliance before June 30. The auditors noted that communication between the case managers and the eligibility workers was not adequate to ensure benefits were terminated for TANF recipients not cooperating with the Child Support Enforcement Program.

The Division of Welfare and Supportive Services (DWSS) initiated immediate corrective action to ensure procedural implementation and compliance. Effective April 1, 2009, the responsibility to close Temporary Assistance to Needy Families (TANF) when there is reported non-compliance with the Child Support Enforcement (CSE) program will be accomplished by administrative support staff working directly under the supervision of the Field Services Manager. An informational memo was published to all Child Support Enforcement (CSE) staff announcing new business protocol whereby all reports of non-compliance are communicated to both the administrative support staff and the Field Services Manager. Business procedures

were modified to establish a specialized e-mail account for CSE staff's reporting of non-compliance concerns in order to ensure timely imposition of appropriate action. Staff will utilize targeted reviews, internal quality control case reviews, supervisory reviews and management evaluations to monitor policy adherence.

Additional measures were implemented as a result of finding 09-21 and are stated in the response to that finding, below.

Finding Status: Corrected.

Finding 09-1:

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

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

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

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

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

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

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

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

The Department of Employment, Rehabilitation and Training will provide evidence that its data verification/validation issues are fully addressed and corrected once implementation of the new Social Security Cross Match system occurs.

Finding Status: Not corrected.

Finding 09-2:

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

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

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

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

Finding Status: Corrected.

Finding 09-3:

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

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

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

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

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

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

Finding Status: Corrected.

Finding 09-4:

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:
Appalachian Development Highway System, CFDA 23.003:

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

During our review of the State’s draft SEFA for the year ended June 30, 2009, provided by the State in October 2009, we noted that although the total expenditures reported for CFDA 20.205 appeared to be complete, the amount related to expenditures reimbursed with ARRA funds was not separately identified.

State’s Response: The Single Audit Report had an additional box to be checked if the funds included ARRA funds. We failed to check the box. It was an oversight. The procedures are in place for secondary review.

Our procedures have been re-written to always include secondary check on reporting for the Single Audit.

Finding Status: Corrected.

Finding 09-5:

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:
Appalachian Development Highway System, CFDA 23.003:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards for communication of required information, and noted that the awards did not include the CFDA title and number.

State’s Response: We have changed our agreement shells to include the CFDA number when applicable.

Finding Status: Corrected.

Finding 09-6:

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:
Appalachian Development Highway System, CFDA 23.003:

Finding Summary: As noted in the *OMB A-133 Compliance Supplement*, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with program requirements. Specifically, the requirement for activities allowed or unallowed and allowable costs/cost principles is for the entity to provide reasonable assurance that Federal awards are expended only for allowable activities and that the cost of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. One way of ensuring this is by having a person knowledgeable about the award approve the costs prior to payment.

As part of our testing of internal controls over allowable costs/cost principles, we tested a sample of 40 payments. During this testing we noted two payments for

supplies that lacked evidence of review and approval by either Nevada Department of Transportation management or purchasing personnel to support that the charges were reviewed for allowability.

State's Response: The Nevada Department of Transportation was aware of problems with operating costs being charged incorrectly to projects and had been vigorously training staff on what was and was not allowable. Training classes were held in Las Vegas, Reno and Carson City with video conferencing to other areas. All transactions were being reviewed for any corrections that may be needed.

Procedures have been changed to no longer allow operating costs to be charged to projects.

Finding Status: Corrected.

Finding 09-7:

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:
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 or subcontractor comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5.5(a)(3)(ii)(A)), “Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Our testing of construction contracts included reviewing the bid documents and contracts for the Davis –Bacon provisions, and reviewing the payroll data received and monitored by Nevada Department of Transportation personnel. Although the certified weekly payrolls were submitted, we noted several instances where multiple weeks were submitted at once, rather than each week being submitted separately and timely.

State's Response: The Nevada Department of Transportation has been following NRS (Nevada Revised Statute) 338.070 which requires submission of payroll within 15 days after the end of the month.

The Nevada Department of Transportation has informed the Resident Engineers, Associated Contractors Board and other NDOT staff that contractors are required to submit certified payrolls in accordance with the Davis-Bacon Act if Federal funds are used.

The corrective action taken by the NDOT has not worked as planned as of June 30, 2010. The NDOT plans to have a new process in place by June 30, 2011.

Finding Status: Not corrected.

Finding 09-8:

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:
Appalachian Development Highway System, CFDA 23.003:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for monitoring the activities of subrecipients.

During our testing of subrecipient monitoring, we noted that one subrecipient was identified as a State agency, rather than a subrecipient, by internal audit personnel who are responsible for subrecipient monitoring. As a result, internal audit personnel did not perform subrecipient monitoring procedures for that entity.

State's Response: The list of Local Government Entities prepared by the Nevada Department of Taxation shall be considered the official site by the Audit Division when comparing Local Government Entities.

Finding Status: Corrected.

Finding 09-9:

Program: Department of Conservation and Natural Resources, Division of State Parks
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205:
ARRA – Highway Planning and Construction, CFDA 20.205A:

Recreational Trails Program, CFDA 20.219:
Appalachian Development Highway System, CFDA 23.003:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards for communication of required information, and noted that the awards did not include the CFDA title and number.

State's Response: The Nevada Division of State Parks accepts the finding and is initiating immediate corrective action steps as noted below to insure procedural implementation and compliance by March 15, 2010, the beginning of the next grant application cycle of the Recreation Trails Program (RTP). The auditors noted that subrecipients may be unaware of specific Federal Award information and requirements, specifically the Catalog for federal Domestic Assistance (CFDA) title and number for the RTP.

Effective March 8, 2010, the CFDA title and number for the RTP will appear on the title page for the annual RTP Manual, and RTP Application Guidelines. The CFDA will also appear on the RTP Application and on the RTP Grant Agreement. These actions will be the responsibility of the RTP Manager and be reviewed by the State Parks Program Manager.

The CFDA number was added to the 2010 RTP Manual, Application Guidelines, Application and Grant Agreement, March 8, 2010.

Finding Status: Corrected.

Finding 09-10:

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

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

During our testing, we reviewed reports of total FAC payments paid to claimants during the year. We noted that in several instances, claimants' total FAC payments were greater than our expected maximum total FAC payments allowed for the year.

Upon further discussion with program staff, we were informed of an error in the payment processing system which caused duplicate FAC payments to be issued. This system error was detected by Department of Employment, Training and Rehabilitation staff in July 2009, and was corrected shortly thereafter.

However, unallowable costs of \$264,111 were charged to the Federal program.

State's Response: The \$264,111 reported in the finding, is not correct and does not apply to this specific problem of duplicate FAC payments via GUIDE, Nevada's Unemployment Insurance Benefit system. This amount represented total overpayments in the FAC Program as of June 30, 2009. In August 2009, DETR staff identified that duplicate Federal Additional Compensation (FAC) payments were made in GUIDE, the mainframe operating system, for 2,241 weekly claims, resulting in improper payments of \$56,024. Because the GUIDE system has limited capabilities, the continual addition of each new claim-payment type during this period of extended unemployment (over 9 payment types when GUIDE was designed to realistically handle only 2 to 3) continues to present to DETR management, a formidable programming environment with the introduction of each new claim type. However, even with all the complexities, the programming logic causing the duplicate FAC payments was corrected expediently on 8/26/09. The GUIDE System will no longer allow for more than one FAC payment per benefit week ending date (weekly claim). Since 08/26/09, DETR's Employment Security Division has not found any additional occurrences of duplicate FAC payments.

Finding Status: Corrected.

Finding 09-11:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* provides that all Employment and Training Administration (ETA) grantees are required to submit quarterly financial reports (ETA-9130) for each grant award they receive and those reports are due 45 days after the end of the reporting quarter.

As part of our testing over reporting, we reviewed all ETA-9130 reports related to WIA cluster awards submitted for the quarter ended December 31, 2008. We noted

that seventeen of the eighteen reports tested were filed between six and 25 days after the reporting due date.

State's Response: DETR Financial Management has instituted the following to address federal reporting deadlines:
Staff training and development,
Automation of supporting internal reports to decrease manual processes and processing time,
Management study and re-design of report compilation process, and
Scheduled sessions to assess the progress of these initiatives.

Finding Status: Corrected.

Finding 09-12:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement Addendum # 1* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require subrecipients to provide identification of ARRA awards in their SEFA and Data Collection Form.

As part of our testing over ARRA expenditures, we reviewed the WIA contracts with subrecipients that included ARRA funds. During this testing, we noted that the provisions of the contracts did not identify the Federal award number, nor the CFDA number. In addition, the contracts did not include the requirement that the expenditures be identified as ARRA expenditures on the subrecipients' SEFAs and Data Collection Forms.

State's Response: Please note that every attempt is made to properly communicate required information to subrecipients as illustrated by the statements below. Due to the longstanding relationship of the Department with the Local Workforce Investment Boards (LWIB), a portion of the communications that occurred, at times, may have been informal in nature, but the needed information was still passed on. Please note that for previous WIA formula and ARRA contracts, the Catalog of Federal Domestic

Assistance (CFDA) number was not included in the contracts and never became an issue, primarily because both LWIBs have full access to the CFDA website. Staff was unaware of the requirement to list this information on the individual contracts, however, WISS Program and Internal Procedures Manual, Section 14 - #4 – Fiscal and Legal, has now been updated to ensure all new contracts include the “CFDA number and the Federal award number” (Fiscal & Legal, Section 14, Tab 4, Independent /Interlocal Contracts, page 4). It is important to note that due in large part to the lengthy contract process (which is resource intensive), amendments were not written for the purpose of adding just the CFDA number, but subsequent Formula and ARRA contracts do contain the CFDA number. The Department did not have the resources available to re-process dozens upon dozens of existing contracts. With respect to the Federal award number, this will also be added to all future contracts.

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

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

WSD – 04 dated May 13, 2009, Section IX (Attachment A) outlined the requirements to track and report ARRA funds separately from WIA formula funds for all three funding streams – Adult, Dislocated Worker and Youth. Quarterly Financial Status Reports prepared by the two LWIBs are separated out by individual contracts regardless of whether or not they are formula, ARRA or Governor’s Reserve Funds (Attachment C). Again, it is important to note that all ARRA contracts include the reference to ARRA in the contract number (e.g., PY08-A-ARRA-02) so ARRA identification occurs for all such contracts.

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

Finding Status: Partially corrected.

Finding 09-13:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for communicating certain Federal award information to each subrecipient, including informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number.

As part of our testing over subrecipient monitoring, we reviewed subrecipient awards for communication of required information, and noted that the awards did not include the CFDA title and number.

State's Response: As noted above in Finding 09-12, WISS Program and Internal Procedures Manual, Section 14 - -#4 – Fiscal and Legal, have been updated to ensure all new contracts include the CFDA number.

Finding Status: Corrected.

Finding 09-14:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement Addendum #1* requires that recipients and their first-tier subrecipients maintain current registrations in the Central Contractor Registration at all times during which they have active federal awards funded with American Recovery and Reinvestment Act (ARRA) funds. In

addition, they must obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

As part of our testing over ARRA subawards, we inquired of personnel as to the controls in place to ensure compliance with ARRA requirements. Although it was noted that subrecipients were notified of the requirement to register in the Central Contractor Registration and obtain a DUNS number, subrecipients were provided with conflicting information from a Federal source. Consequently, one subrecipient did not register in the Central Contractor Registration, and the Nevada Department of Employment, Training and Rehabilitation did not monitor its subrecipients to ensure compliance with this requirement.

State's Response: Please note that the Department followed the initial guidance by DOL (via a General Overview Forum-Question & Answer) (Attachment G) which stated that only the prime recipient (State) has to register in both CCR and DUNS. Unfortunately, this conflicted with TEGl #29-08 (Attachment F) information and basically led to this area of confusion.

To date, WorkforceConnections and NevadaWorks are now both registered into the CCR. One important note, NevadaWorks did attempt to register in the CCR some months ago but due to difficulties encountered, did not finish the process primarily because they were told (by CCR staff) not to register. This is not provided as an excuse but rather to help explain what happened.

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

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

The Team completed a financial on-site review at the Southern Nevada Workforce Investment Board and a final report was issued in March 2010. Nevadaworks was also reviewed.

As of 6/30/10, progress was continuing on the implementation of full compliance with the ARRA regulations requiring CCR registration and sub-recipient monitoring.

Finding Status: Not corrected.

Finding 09-15:

Program: Department of Employment, Training and Rehabilitation
Workforce Investment Act (WIA) Cluster:
WIA Adult Program, CFDA 17.258:
ARRA – WIA Adult Program, CFDA 17.258A:
WIA Youth Activities, CFDA 17.259:
ARRA – WIA Youth Activities, CFDA 17.259A:
WIA Dislocated Workers, CFDA 17.260:
ARRA – WIA Dislocated Workers, CFDA 17.260A:

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

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

During our testing and reconciliation of the SARFs to the State's accounting records, an error was identified on a SARF that resulted in Federal expenditures reported on the SEFA being understated.

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

Finding Status: Corrected.

Finding 09-16:

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

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

Finding Summary: The *OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The Nevada Department of Employment, Training and Rehabilitation bi-weekly time sheet states, “The signature of the employee and the employee’s supervisor certifies the accuracy of the hours listed for federal reporting purposes.”

During our testing of salary and benefit charges to this program, we noted that, although time sheets were signed by the employee satisfying the *OMB Circular A-87* compliance requirement, two of the 40 time sheets selected for testing were not signed by the employee’s supervisor.

State’s Response: DETR Rehabilitation Management instituted the following to address timesheet deficiencies:

Rehabilitation staff was re-trained to adhere to departmental/divisional timesheet policies and procedures which require signed and approved timesheets. For example, district managers were required to discuss with staff this audit exception and review the timekeeping guidelines to ensure full compliance.

Staff responsible for reviewing and entering in timesheet information must ensure that all signatures needed to process the timesheets are present, clear and discernible.

Plus, DETR Human Resources (HR) and Audits has reviewed the existing timesheet procedures/processes to ensure that timesheet issues get addressed in a timely manner. The HR manager indicated that the Department has implemented a new procedure using the NEATS tracking system for timesheets which should help to ensure overall compliance.

Finding Status: Corrected.

Finding 09-17:

Program: Department of Employment, Training and Rehabilitation

Vocational Rehabilitation Cluster:

Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:

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

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

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

During our testing of eligibility, we noted one instance out of 40 selected for testing where the determination of eligibility exceeded 60 days from the application submission, without either an extension being filed or a trial work program being implemented.

State’s Response: The specific case involved a situation where the parent of a client had difficulty deciding on a course of action whereby, this indecision led to the inadvertent lapsing of the 60 day eligibility period.

DETR Rehabilitation Management instituted the following to address this deficiency:

District managers are required to discuss with staff this audit exception and review the current policy and procedures as related to the required timeframes for making eligibility determinations. In those instances where the client’s eligibility is not determined within the prescribed timeframe, the eligibility determination extension form must be properly completed.

In the Division Case Management System (RAISON), all counselors are instructed to use the “Activity Due” feature, which can be programmed to prompt counselors regarding an upcoming due date for eligibility determination.

Finding Status: Corrected.

Finding 09-18:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements. The Nevada Department of Employment, Training and Rehabilitation is required to submit annual RSA-2 Program Cost Reports, as well as quarterly SF-269 Financial Status Reports for the Rehabilitation Services_Vocational Rehabilitation Grants to States awards.

During testing of the annual RSA-2 Program Cost Report submitted during fiscal year 2009, we noted a formula error in a supporting spreadsheet that caused total expenditures reported to be understated by \$348,790.

In addition, we were unable to determine that supervisory review had been performed for the RSA-2 Program Cost Report and two of seven SF-269 Financial Status Reports examined.

State's Response: DETR Financial Management will automate the compilation of underlying accounting records to eliminate errors and enhance the reconciliation process. The automation will be completed in October, 2010 for the FFY 10 RSA-2 to be submitted in December, 2010.

Finding Status: Not corrected.

Finding 09-19:

Program: Department of Employment, Training and Rehabilitation
Vocational Rehabilitation Cluster:
Rehabilitation Services_Vocational Rehabilitation Grants to States, CFDA 84.126:
ARRA – Rehabilitation Services_Vocational Rehabilitation Grants to States, Recovery Act, CFDA 84.390A:

Finding Summary: *OMB Circular A-133* requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) showing total Federal expenditures for the year; to report program income, as prescribed by the Federal awarding agency; and maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA we noted that program income was not included on the SEFA.

State's Response: DETR Financial Management is now aware of the requirement to report federal program income, and has submitted SFY09 SARFs to the Controller's Office.

Finding Status: Partially corrected.

Finding 09-20:

Program: Department of Employment, Training and Rehabilitation
Employment Services Cluster:
Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207:
ARRA – Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207A:
Disabled Veterans Outreach Program (DVOP), CFDA 17.801:
Local Veterans' Employment Representation Program, CFDA 17.804:
Incentive Grants – WIA Section 503, CFDA 17.267:

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

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

During our testing and reconciliation of the SARFs to the SEFA, we found instances where amounts were not included on the SEFA.

State's Response: DETR Financial Management will review the Controller's Office SEFA annually to ensure all SARFs submitted were included on the SEFA. This process will continue for future reporting periods.

Finding Status: Not corrected.

Finding 09-21: Department of Health and Human Services, Division of Welfare and Supportive Services
Temporary Assistance for Needy Families (TANF), CFDA 93.558:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* for the TANF program states that "If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance".

We obtained a list of case files where the TANF recipient was identified by the State's IV-D agency as being non-cooperative with the Child Support Enforcement program. It is the State's policy to terminate, rather than reduce, benefits in such cases; however, this policy was not uniformly adhered to. Of the 40 cases selected for testing, 16 recipients did not have their TANF assistance terminated when non-cooperation with the Child Support Enforcement program was reported.

Questioned costs of \$20,636, which represents the amount paid to the recipients identified who were no longer eligible for benefits, for the period after the alert was entered and through the fiscal year end, were identified.

State's Response: The Division of Welfare and Supportive Services (DWSS) accepts this finding and has initiated immediate corrective action steps to ensure procedural implementation and compliance. The auditors noted that an adequate process was not in place to ensure benefits were terminated once non-cooperation with the Child Support Enforcement program by a TANF recipient was identified.

The Division utilizes a dedicated e-mail account for reports of non-compliance and follow-up by eligibility staff. When a request is received from child support, the office manager is notified and other staff as warranted. A central spreadsheet of

these sanction requests and follow-up actions is maintained in the Division's statewide network drive. The spreadsheet is monitored on a regular basis by staff in the Belrose office and program personnel in Central Office for timeliness and appropriateness of field staff actions. The office manager and the Chief of Eligibility and Payments are notified when appropriate eligibility action is not taken. The manager is given until the end of business of the date of notification to take action. The goal is to ensure compliance with child support by the client and not to terminate benefits unless compliance cannot be achieved. DWSS continues to pursue and is confident we will secure full policy compliance through the implementation of these corrective steps.

Finding Status: Corrected.

Finding 09-22: Department of Health and Human Services, Division of Welfare and Supportive Services
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558:

Finding Summary: The *OMB Circular A-133 Compliance Supplement* for the TANF program provides that each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. Further, the State agency must maintain adequate documentation, verification and internal control procedures to ensure the accuracy of the data used in calculating the work participation rates.

As part of our audit procedures we obtained a list of the participants whose work information was submitted to the U.S. Department of Health and Human Services (HHS) for calculation of the work participation rate and selected a sample for testing. The State was unable to provide supporting documentation files for four of the 40 participants selected for testing. Additionally, one participant's file did not contain sufficient information to support the work participation rate data that was submitted.

State's Response: The Division of Welfare and Supportive Services has reviewed and accepts this finding. The auditors noted DWSS did not maintain adequate documentation to support the work participation information submitted to HHS.

As part of the Technology Initiatives enhancements currently in process, the Division has developed a client case file tracking system. As case files are created, they are bar coded and entered into the system allowing staff the ability to track and locate the physical location of a file. Document imaging of case files has also been implemented allowing quality control reviewers the ability to electronically view every document in a case alleviating the possibility of missing files and supporting documentation.

Additionally, the Division performs monthly work participation reviews as part of the quality control review process. Also, as part of the review process, client work

activity data based on quality control findings is updated. Files discovered to contain inadequate documentation are discussed during monthly quality review error conference calls. These calls allow office staff to defend work activity documentation and receive guidance as to appropriate documentation needed. This is and will continue to be an ongoing activity which has been in place since implementation of the Work Verification Plan in an effort to reduce the error rate and ensure proper documentation.

Finding Status: Corrected.

Finding 09-23: Department of Administration, Division of Purchasing
Emergency Food Assistance Cluster:
Emergency Food Assistance Program (Administrative Costs), CFDA 10.568;
Emergency Food Assistance Program (Food Commodities), CFDA 10.569;
ARRA – Emergency Food Assistance Program (Food Commodities) CFDA
10.569A:

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 Department of Administration, Division of Purchasing was not requesting required audit information from all subrecipients, only those who were provided more than \$500,000 in Federal funding from the Emergency Food Assistance Program.

State's Response: We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance, However, the program Permanent Agreements have always addressed the OMB Circular A-133 audit requirements and instructs the recipient agencies to forward a copy of their audit results to our Administrative Services Division, which is responsible for reviewing these audits for corrective action and follow-up requirements.

Effective February 24, 2010, the Food Distribution Program distributed a notification letter regarding audit requirements to all of our subrecipients. This notification letter will be sent annually to our recipient agencies at the same time of the Single Audit notification.

Finding Status: Corrected.

Finding 09-24: Department of Administration, Division of Purchasing
Emergency Food Assistance Cluster:

Emergency Food Assistance Program (Administrative Costs), CFDA 10.568;
Emergency Food Assistance Program (Food Commodities), CFDA 10.569;
ARRA – Emergency Food Assistance Program (Food Commodities) CFDA
10.569A:

Finding Summary: The *OMB Circular A-133 Compliance Supplement Addendum #1* requires that recipients agree to (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of American Recovery and Reinvestment act (ARRA) funds; and (2) require their subrecipients to provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Forms.

As part of our testing over ARRA expenditures, we requested to review a sample of the State's contracts with subrecipients who received ARRA funded commodities. However, the agency could not provide the contracts for review, and the required ARRA information was not communicated to the subrecipients.

State's Response: We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance. However, please note that the Nevada Food Distribution Program was following guidance from the USDA Food Distribution Division that the commodity food purchased using entitlement funds under ARRA did not need to be tracked or reported separately from regular TEFAP commodity food. The two Federal Agencies, OMB and USDA-FDD, have provided conflicting guidance regarding this procedure.

The commodity foods that were received under the ARRA funds have been and currently are tracked in our inventory system separately from our regular TEFAP commodities. We notified our recipient agencies of the value of commodity foods received under a separate program code for ARRA, however, we failed to identify that these commodity foods were purchased utilizing ARRA funds. A revised Single Audit memo was sent to our recipient agencies on March 12, 2010 identifying that these commodity foods were purchased utilizing ARRA funds. We will identify all ARRA funds to our recipient agencies annually.

Finding Status: Corrected.

Finding 09-25: Department of Administration, Division of Purchasing
Child Nutrition Cluster:
School Breakfast Program, CFDA 10.553:
National School Lunch Program, CFDA 10.555:
Special Milk Program for Children, CFDA 10.556:
Summer Food Service Program for Children, CFDA 10.559:
Emergency Food Assistance Cluster:

Emergency Food Assistance Program (Administrative Costs), CFDA 10.568;
Emergency Food Assistance Program (Food Commodities), CFDA 10.569;
ARRA – Emergency Food Assistance Program (Food Commodities) CFDA
10.569A:

Finding Summary: In accordance with 7 CFR section 250.16, accurate and complete records shall be maintained with respect to the receipt, distribution/use, and inventory of donated foods, including end products processed from donated foods.

To determine whether appropriate accounting was maintained for donated food commodities and that the physical inventory was reconciled with inventory records for both of these major programs, we planned to perform the suggested audit procedures provided in the OMB A-133 Compliance Supplements for these programs. That testing included selecting a sample of commodities on hand as of the June 30, 2009 physical inventory date and, using the commodity record, “rolling forward” the balance on hand to the current balance observed. We noted that the State does not have adequate inventory procedures to facilitate tracking physical inventory, by program, at any given point in time. As a result, performing a “roll forward” to support the June 30, 2009 balances for the Emergency Food Assistance Cluster or the Child Nutrition Cluster was not possible.

State’s Response: We accept this finding and will initiate immediate corrective action steps as noted below to ensure procedural implementation and compliance. We currently run a physical inventory and are able to reconcile it back to our book inventory. It was unrealistic for the audit company to schedule a partial day to reconcile twelve months of inventory records that reflect approximately 300 items. The inventory reconciliation takes an experienced staff person half a day each month. We are able to track our physical inventory at any time by running the appropriate inventory reports. We respectfully request that the follow up audit allows sufficient notice for a staff specialist to be available to conduct an inventory reconciliation and the auditor allows sufficient time to complete the process.

An upgraded billing and inventory system is currently being developed by Colyar Consulting Group. We will ensure the upgraded programming will produce inventory reports by program. Our new system is scheduled to be completed by December 31, 2010. The FY2010 inventory will most likely be in our current format. The GY2011 inventory will then be in the upgraded format. It will not be cost effective to try to have old data converted into our new system.

Currently our upgraded inventory and billing system is still being programmed. The completion and installation of the new system is scheduled to be completed by December 31, 2010. The FY2010 inventory will most likely be in our current format. The FY2011 inventory will then be in the upgraded format.

Finding Status: Partially corrected.

Finding 09-26: Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588:
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

Finding Summary: The grant agreements require that certain information be included in any subaward, contract or subcontract under these awards, including a provision that states that the Office on Violence Against Women reserves a royalty-free, nonexclusive, and irrevocable license to reproduce publish or otherwise use, and to authorize others to use, for Federal government purposes: (a) The copyright in any work developed under a grant, subgrant, or contract under a grant or subgrant; and (b) Any rights of copyright to which a grantee, subgrantee or a contractor purchases ownership with grant support. Additionally, the State must include, in any subaward, the requirement that subrecipients must obtain advance written approval from the Office on Violence Against Women program manager assigned to the award, and must comply with all conditions specified by the program manager in connection with that approval before: 1) using award funds to purchase ownership of, or a license to use, a copyrighted work; or 2) incorporating any copyrighted work, or portion thereof, into a new work developed under the award.

As part of our testing over subrecipient monitoring, we tested a sample of subrecipient awards for communication of required information and noted that the required wording, specified above, was not included.

State's Response: The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and has initiated corrective actions as noted below.

Written policies and checklists were developed prior to the STOP 2010 sub grant cycle beginning September to ensure all 2010 federal special conditions are passed on to sub-grantees.

Additionally, revised special conditions, including all federal conditions and terms, were sent to all current STOP and ARRA-STOP sub grantees which contained the following information:

1. Recipient understands and agrees that the Office on Violence Against Women, as the federal funding source, reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, in whole or in part (including in the creation of derivative works), for Federal Government purposes:
 - a. Any work that is subject to copyright and was developed under this award/grant/contract, sub-award/grant/contract pursuant to this award; and

- b. Any work that is subject to copyright for which ownership was purchased by a grantee/recipient/contractor, sub-grantee/recipient/contractor with support from this award.

In addition, the Nevada Office of the Attorney General (AGO), on behalf of a sub-grantee/recipient/contractor, must obtain written approval from the program manager assigned to this program by the Office on Violence Against Women, and the AGO, grantee/recipient/contractor and/or sub-grantee/recipient/contractor must comply with all conditions specified by the program manager in connection with that approval before:

- c. Using award funds to purchase ownership of, or a license to use, a copyrighted work; or
- d. Incorporating any copyrighted work, or portion thereof, into a new work developed under this award.

Finding Status: Corrected.

Finding 09-27 Office of the Attorney General
Violence Against Women Formula Grants, CFDA 16.588:
ARRA – Violence Against Women Formula Grants, CFDA 16.588A:

Finding Summary: The *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after – the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that for one employee, whose position was clearly dedicated to the Violence Against Women grant, the only report of time was an exception-only report that did not identify the programs or the time allocation to them. Because the time cards do not identify the Federal programs and time allocation to them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. It is the Office of the Attorney General’s policy that for the employees whose time is charged to Federal awards, time is maintained in a separate system by Federal program.

State's Response: The STOP Administrator for the Nevada Office of the Attorney General accepts this finding and will initiate corrective actions as noted below.

A certification document, Form AG-011, has been developed for federally, grant funded, exempt employees who do not otherwise have to report their hours. This certification states that said employees will and/or have put in the hours and effort required per the terms of their grant funding for the time specified. The certification must be signed and dated by the employee and their on-site supervisor and returned to grant administrator and will correspond with semi-annual progress reporting periods (January – June and July – December). This certificate will be required semi-annually.

Finding Status: Corrected.

Finding 09-28 Department of Health and Human Services, Director's Office
Social Services Block Grant, CFDA 93.667:

Finding Summary: *OMB Circular A-133* requires the State to identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. To comply with this requirement the State of Nevada Office of the State Controller has established written policies, *Accounting Policies and Procedures, June 2009*, which provide that all State agencies that are recipients of Federal assistance must identify the receipt and use of the assistance. The identification must incorporate the Catalog of Federal Domestic Assistance (CFDA) number and be reflected in the records of the State central accounting system or another accounting system approved by the Controller. This coding also allows for the monitoring of daily cash balances and the calculation of interest liabilities for programs covered under the Cash Management Improvement Act (CMIA).

During our testing of Social Services Block Grant (SSBG) expenditures, we noted that program personnel were not including the CFDA number when coding those Federal expenditures for inclusion in the central accounting system.

State's Response: The Director's Office accepts this finding and has corrected the internal procedures for identifying Federal receipts and expenditures as outlined below. The auditors noted that the Director's Office was identifying the expenditures separately, but did not utilize the procedure as outlined by the State of Nevada Office of the Controller's procedures.

Effective January 14, 2010, the Director's Office incorporates the use of the Catalog of Federal Domestic Assistance (CFDA) number in coding all receipts and expenditures that utilize such assistance.

Finding Status: Corrected.

Finding 09-29 Department of Health and Human Services, Office of the Director
TANF Cluster:
Temporary Assistance for Needy Families (TANF), CFDA 93.558:
Social Services Block Grant, CFDA 93.667:

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

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

During our testing and reconciliation of the SARFs to the State's accounting records, several errors were identified. These included overlooking the requirement that Federal funds transferred from Temporary Assistance for Needy Families (TANF) to the Social Services Block Grant be reported on the SEFA under Social Services Block Grant, CFDA 93.667. Social Services Block Grant program personnel also incorrectly reported transfers to State agencies as payments to subrecipients, overstating the amount reported on the SEFA.

State's Response: The Director's Office accepts this finding and has corrected the internal procedures for identifying Federal receipts and expenditures as outlined below.

Effective January 14, 2010, all SARF documents from both the Director's Office and DWSS were revised to correctly report the TANF to Title XX transfer for the period ending June 30, 2009. Internal controls have been revised and staff given notice of the correct procedure for the future.

The SFY 10 SARFs have recently been completed and TANF transfers to the Social Services Block Grant have been correctly reported.

Finding Status: Corrected.

Finding 09-30 Department of Health and Human Services, Division of Health

Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:

Finding Summary: The *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after – the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that the Nevada State Health Division assigns percentages of time that employees are to work on multiple Federal programs, including the Centers for Disease Control and Prevention_ Investigations and Technical Assistance program. The employees' salaries and benefits are charged to the Federal programs according to the percentage assigned to their position. The time cards signed by employees are exception-only reports that do not identify the programs or the time allocation on them. Because the time cards do not identify the Federal programs and time allocation on them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

State's Response: As previously noted in the response to finding 08-3, the Nevada State Health Division during SFY 08 converted from an off-line payroll reporting system to use of the on-line, NEATS – Nevada Employee Action Tracking System, which resulted in certain documentation and certifications no longer being maintained. While the Nevada State Health Division has attempted to put into place procedures to allow for more complete time and effort information, we are still in the process of ensuring that all employees who are split funded list their funding in the notes of the NEATS timesheet. Additionally, the Division is working with the State Department of Personnel to explore other time reporting options within the existing NEATS framework. Fiscal and program staff has been advised and instructed to monitor to ensure such documentation is present. Each Administrative Services Officer assigned to a Health Division Bureau will monitor timesheets and documentation to insure that compliance is achieved no later than June 30, 2010.

Finding Status: Partially corrected.

Finding 09-31 Department of Health and Human Services, Division of Health Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:

Finding Summary: *OMB Circular A-133* requires the State to maintain internal control over Federal programs that provides reasonable assurance that the State is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. In the case of the Chronic Disease Prevention and Health Promotion Programs, award number 5U58/DP922830-05W1, National Breast and Cervical Cancer Early Detection Program, this includes establishing provider pay rates at an amount at or below the Medicare rate for the same service.

During testing of the match requirement for the Disease Prevention and Health Promotion Programs, award number 5U58/DP922830-05W1, National Breast and Cervical Cancer Early Detection Program, we noted that the State did not update their provider pay rates to coincide with changes in the Medicare rates in a timely manner and because the State did not update the rates timely, payments were made in amounts that exceeded the maximum allowable rates.

State's Response: In discussing this finding with the federal program advisor, the Health Division was advised that the Centers for Disease Control and Prevention (CDC) allows grantees to use their discretion and choose from the following options when requesting and utilizing NBCCEDP clinical services reimbursement funds:

- To project (estimate) and request the amount needed for two separate 6-month periods based upon historical trends and to make mid-year budget revisions as needed when updated rates are available.
- To request funds based upon the current rate in place when the application is submitted and to later re-direct funds from the approved budget in order to change reimbursement rates during the program budget year (e.g., a budget revision).
- To maintain a single uniform rate for the entire 12 months of the program budget year based upon the reimbursement rates in place at the time of the award.

The third option above is the most commonly chosen option among the 68 NBCCEDP grantees, according to the Nevada CDC Program Consultant, who provided this information in a letter dated April 6, 2010.

Finding Status: Corrected.

Finding 09-32: Department of Health and Human Services, Division of Health

Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with the terms and conditions of the award.

During testing of the final Financial Status Report for grant award number U58/CCU922830-05, we noted that the final report was required to be submitted no more than 90 days after the budget period ended March 29, 2009; however, the final report was not filed until June 30, 2009.

State's Response: As previously noted in response to finding 08-2, the Nevada State Health Division has created a tracking calendar and spreadsheet to track all timelines for submittals of Financial Status Reports to ensure compliance with due dates. We have since enhanced these procedures further to include additional checks and balances so that late submissions do not occur. The corrective action was completed on June 30, 2010.

Finding Status: Corrected.

Finding 09-33: Department of Health and Human Services, Division of Health Public Health Emergency Preparedness, CFDA 93.069:
Immunization Cluster:
Immunization Grants, CFDA 93.268:
Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:
National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Nevada State Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

State's Response: As previously noted in the response to findings 07-5 and 08-1, the Health Division has implemented procedures to ensure compliance with A-133 reporting requirements as outlined below. Additionally, these procedures have been enhanced to encompass all sub-recipients:

- The Division's contract monitor maintains a spreadsheet listing all subrecipients subject to the A-133 reporting requirements and is enhancing the process for ensuring all required audits are completed.

- As A-133 audits are to be completed within nine months of the end of their fiscal year end he/she will collect those reports which have been submitted and follow up on those which have not.
- All audit reports will be disseminated to the Administrative Services Officer (assigned to the budget accounts responsible for the individual subrecipient agreements), who will then review them and follow up should there be any findings. Policies and procedures for issuing management decisions on audit findings and necessary corrective actions are being developed.
- Once reviewed, the Administrative Services Officer will initial the report and the spreadsheet maintained by the contract monitor. The report will then be filed within the Health Division Financial Services Unit file room.
- In addition, a new assurance page has been added to the standard sub-grant template requiring all sub-recipients to acknowledge in writing that they are responsible to provide a copy of their audit report to the Health Division within 9 months after the end of their fiscal year.

Implementation of these procedures is not complete and more follow-up on the application of the procedures is needed.

Finding Status: Not corrected.

Finding 09-34: Department of Health and Human Services, Division of Health Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:

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

The State has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA, we noted that program income for grant award U58/DP000804-02 (National Program of Cancer Registries) was not included on the SEFA. In addition, program income was not reported on the final

SF-269 Financial Status Report for the program, as prepared by Nevada State Health Division.

State's Response: All forms previously submitted have been corrected and resubmitted to show program income. Procedures have been updated and staff members have been trained to include these amounts on all necessary reports. Action on this finding has been completed.

Finding Status: Corrected.

Finding 09-35: Department of Health and Human Services, Division of Health Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:
Grant Awards 5U58/DP922830-05W1, U58/DP000804-02 and U58/DP002003-01

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

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

During our testing and reconciliation of the SARFs to the State's accounting records, we identified amounts that were excluded from the SARFs, which resulted in Federal expenditures reported on the SEFA being understated.

State's Response: In addition to updating current procedures for reporting, the Division will enhance review and audit procedures, to include greater coordination between program and fiscal staff, so that all expenditures are noted properly. Corrective action on this finding is complete.

Finding Status: Corrected.

Finding 09-36: Department of Health and Human Services, Division of Health Care Financing and Policy
Medicaid Cluster:

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

Finding Summary: *OMB Circular A-133 Compliance Supplement Addendum # 1* requires the State to maintain records that identify adequately the source and application of American Recovery and Reinvestment Act (ARRA) awards. The State of Nevada Accounting Policies and Procedures provide that ARRA grant transactions require an eight digit job number which must contain the CFDA number in the first five positions, two characters of the agency's choosing in the sixth and seventh positions and the character "Z" in the eighth position of the job number field.

During our testing and reconciliation of ARRA expenditures to the State's accounting system, we noted that, although total Federal expenditures agreed to the accounting system, all ARRA expenditures were not recorded with a "Z" in the eight position of the job number field.

State's Response: The Division of Health Care Financing and Policy (DHCFP) agrees with this recommendation and has taken steps described in the corrective action below to implement the recommendation.

DHCFP has corrected this issue by ensuring the ARRA job number is currently programmed in MMIS to code ARRA expenditures accurately. ARRA was approved retroactively to October 1, 2008; however, MMIS was not updated with the ARRA job number until July 1, 2009. This required manual adjustments to ARRA expenditures in SFY 2009.

The following corrective actions for the finding 09-36 have been taken:

- A. *MMIS has been programmed to code all ARRA expenditures with the job code z. MMIS is a major control feature used in ensuring that all ARRA funds are being recorded using a "Z" job. First Health, our MMIS contractor closely monitors the MMIS to be sure all ARRA expenditures are recorded with job code z.*
- B. *We reconcile the amounts drawn for ARRA, job code z (after adjusting ARRA expenditures for revenues collected as expenditure offsets and drug rebates), to the expenditures for ARRA, job code z.*
- C. *We reconcile total federal share which includes ARRA from the CMS 64.9 to the Integrated Financial System (IFS) the State's accounting system in all material respects.*
- D. *Both our internal controls and accounting staff procedures emphasize correct coding of documents, which includes coding correct job numbers.*

E. A directive was provided to the Accounting Unit staff emphasizing the importance of ensuring that all ARRA and other expenditures are recorded according to our internal chart of accounts guidelines.

Taken together, these actions should ensure that both manual transactions and those processed through our MMIS are recorded with job code z.

Finding Status: Corrected.

Finding 09-37: Department of Health and Human Services, Division of Health
HIV Care Formula Grants, CFDA 93.917:

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, the State must maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds.

The State uses amounts paid for medications to meet the maintenance of effort requirement for the HIV Care program. Review of the accounting records for the years ended June 30, 2008 and June 30, 2009 support that, although the State budgeted for higher medication expenditures in 2009 than in 2008, the actual amount paid for medications decreased by \$4,752 from fiscal year 2008 to fiscal year 2009.

State's Response: The Division's HIV Care program will enhance collaboration between Division fiscal and program staff to ensure that sufficient expenditures are made to comply with the maintenance of effort requirement. The maintenance of effort expenditures will be reconciled at the end of each month to ensure that the rate of expenditures is sufficient to comply with the total MOE requirement. This corrective action is complete.

Finding Status: Corrected.

Finding 09-38: Department of Health and Human Services, Division of Health
HIV Care Formula Grants, CFDA 93.917:

Finding Summary: As noted in the *OMB Circular A-133 Compliance Supplement*, the State is responsible for ensuring that funds expended for women, youth, infants and children with HIV disease are not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS. The *Guidelines for Implementing the Minimum Expenditure Requirement to Provide Services to Women, Infants, Children and Youth* provide for both prospective and retrospective expenditure waivers if the State can demonstrate that required minimum expenditures were satisfied consistent with Health Resources

and Services Administration (HRSA) guidelines using Medicaid, State Children's Health Insurance Program, or other qualified Federal or State expenditures.

During our audit, we examined the report prepared by State personnel to support this earmarking requirement. The report included reimbursed expenditures to subrecipients categorized by the various populations involved (women, youth, infants, or children). Based on the total percentage of women, infants, children, and youth with AIDS to the general population, the State was required to expend, in total, at least 19.01 percent of the funds to serve the women, infant, children and youth population. The State expended, in total, 21.21 percent for these populations. However, using the ratio of individual populations involved, the State was required to expend \$3,462 for infants, but only \$329 was expended for that population. While it appears that the State satisfied the earmarking requirement for the three other populations, the shortage of expenditures for infants was \$3,313, and Nevada State Health Division personnel represented that a waiver had not been requested.

State's Response: The Ryan White CARE Act (RWCA) Program will continue to track Women, Infant, Child, Youth (WICY) HIV/AIDS data and expenditures, as outlined in the HRSA guidance. The Division's HIV Care program has implemented policies and procedures to ensure that amounts expended for women, youth, infants, and children with HIV are at, or above, the amount prescribed, and will maintain documentation to justify a waiver request, if necessary. This action is complete.

Finding Status: Corrected.

Finding 09-39: Department of Health and Human Services, Division of Health HIV Care Formula Grants, CFDA 93.917:

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

The State of Nevada has assigned the responsibility for accumulating the information to prepare the SEFA to the Controller's Office. The Controller's Office compiles this information from award information provided by agencies who administer the various Federal award programs. Federal expenditures should include the receipt or use of program income.

During our testing and reconciliation of the SEFA, we noted that program income for the HIV Care Formula Grants was not included on the SEFA.

State's Response: All forms previously submitted have been corrected and resubmitted to show program income. Procedures have been updated and staff members are being trained to include these amounts on all necessary reports.

Finding Status: Not corrected.

Finding 09-40:

Program: Department of Conservation and Natural Resources, Division of State Parks
Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205:
ARRA – Highway Planning and Construction, CFDA 20.205A:
Recreational Trails Program, CFDA 20.219:
Appalachian Development Highway System, CFDA 23.003:

Finding Summary: As noted in *OMB Circular A-133*, a pass-through entity is responsible for ensuring required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

During our testing of subrecipient monitoring, we noted that the Nevada Division of State Parks did not request nor receive required audit information from subrecipients.

State's Response: The Nevada Division of State Parks accepts the finding and is initiating immediate corrective action steps as noted below to insure procedural implementation and compliance by March 15, 2010, the beginning of the next grant application cycle of the Recreation Trails Program (RTP). The auditor noted that the NDSP did not request, nor receive required audit information from subrecipients as noted in *OMB Circular A-133*.

Effective March 8, 2010, NDSP, RTP will add to its annual RTP Manual an audit survey form and procedure for requesting Federal Program Award Information from subrecipients. This form will be submitted to the subrecipients with the Grant Agreement Package and again for the billing quarter ending June 30. These actions will be the responsibility of the RTP Manager and be reviewed by the State Parks Program Manager.

The new procedure and forms were added to the 2010 RTP Manual March 8, 2010.

On July 1, a letter was sent to all current RTP Grant recipients explaining the Audit requirements, a web link to Circular A133, for their review, and the Annual Audit Information Survey form to fill out and return.

Receipts are checked and filled in the grant year correspondence File.

Finding Status: Corrected.

Finding 09-41: Department of Health and Human Services, Division of Health Centers for Disease Control and Prevention_ Investigations and Technical Assistance, CFDA 93.283:

Finding Summary: *OMB Circular A-133* requires that reports submitted to the Federal awarding agency are presented in accordance with the terms and conditions of the award.

During testing of the final Financial Status Report for grant award number U58/CCU922830-05, we noted that the summary report, as well as three of the four individual program objective reports (Behavioral Risk Factor Surveillance System, Tobacco Prevention and Control, and Oral Disease Prevention) included amounts for indirect expenses that did not reconcile to the accounting system. The indirect cost rate stated on the summary report multiplied by the base did not equal the total amount reported.

In addition, testing over the final Financial Status Report for grant award numbers U58/CCU922830-05 (Tobacco Prevention and Control) and U58/DP000804-02 (National Program of Cancer Registries) revealed that, although, based on our testing the State met the respective match requirements, the *required* match amounts were overstated on the report. The required match reported was based on total Federal funds awarded although the actual required match is based only on the amount of funds used. Therefore, because the grants were not fully expended, the required match as reported was overstated and, when compared to actual match provided, implied that the required match was not met.

Finally, although our testing supports that the State met the maintenance of effort compliance requirement for grant award U58/DP000804-02 (National Program of Cancer Registries), the maintenance of effort amount included on the final Financial Status Report was understated, indicating that the maintenance of effort requirement was not met. The maintenance of effort reported only included the amount of program income expended; the State did not include match contributions in excess of the required match that are allowed to be applied toward their maintenance of effort costs.

State's Response: Beginning in SFY 09 the Division started creating separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier. The Health Division policies & procedures/internal controls will be updated to require DAWN printouts to be attached as backup for all financial reports to document that figures reported are correct and substantiated in the State's official accounting records. This will include a DAWN report for the indirect

expenditure general ledger documenting the correct amount of indirect. The ASO's will also be required to perform a pre-audit of the financial reports, prior to final approval by the ASO IV or ASO III (back-up.) Procedures/internal controls will also be updated to require a quarterly report from the program documenting the actual match/maintenance of effort (MOE) amounts for each grant. Match/MOE amounts provided within the budget account will be documented with a DAWN printout. In-kind Match/MOE will be documented with a letter from the providing entity. In addition to updating current procedures for reporting to reflect updates to changed indirect rates, the Division will enhance review and audit procedures to include a more accurate and descriptive report narrative and will work toward greater coordination between program and fiscal staff, so that all expenditures are recorded and documented properly. The Division will make every effort to ensure that the revised reports are submitted in a timely manner, should reporting adjustments be necessary. Corrective action on this finding should be completed by June 30, 2011.

Finding Status: Not corrected.

Based on the *Summary Schedule of Prior Audit Findings*, the status of the findings at June 30, 2010 is as follows:

Finding Number

08-1 – Not Corrected
08-2 – Corrected
08-3 – Partially Corrected
08-5 – Corrected
08-7 – Corrected
09-1 – Not Corrected
09-2 – Corrected
09-3 – Corrected
09-4 – Corrected
09-5 – Corrected
09-6 – Corrected
09-7 – Not Corrected
09-8 – Corrected
09-9 – Corrected
09-10 – Corrected
09-11 – Corrected
09-12 – Partially Corrected
09-13 – Corrected
09-14 – Not Corrected
09-15 – Corrected
09-16 – Corrected
09-17 – Corrected
09-18 – Not Corrected

09-19 – Partially Corrected
09-20 – Not Corrected
09-21 – Corrected
09-22 – Corrected
09-23 – Corrected
09-24 – Corrected
09-25 – Partially Corrected
09-26 – Corrected
09-27 – Corrected
09-28 – Corrected
09-29 – Corrected
09-30 – Partially Corrected
09-31 – Corrected
09-32 – Corrected
09-33 – Not Corrected
09-34 – Corrected
09-35 – Corrected
09-36 – Corrected
09-37 – Corrected
09-38 – Corrected
09-39 – Not Corrected
09-40 – Corrected
09-41 – Not Corrected

Sincerely,

A handwritten signature in cursive script that reads "Kim R. Wallin". The signature is written in black ink and is positioned below the word "Sincerely,".

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