

STATE OF NEVADA

**Single Audit Report
For the Year Ended
June 30, 2007**

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	Page	
Independent Auditor's Report.....	1	
Management's Discussion and Analysis	3	
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	14	
Statement of Activities	16	
Fund Financial Statements		
Balance Sheet - Governmental Funds.....	18	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21	
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23	
Statement of Net Assets - Proprietary Funds	24	
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26	
Statement of Cash Flows - Proprietary Funds.....	27	
Statement of Fiduciary Net Assets - Fiduciary Funds	29	
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	30	
Notes to Financial Statements.....	31	
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds.....		66
Notes to Required Supplementary Information - Budgetary Reporting	68	
Schedule of Funding Progress – Pension Plans	69	
Schedule of Infrastructure Condition and Maintenance Data.....	70	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		71
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....		73
Schedule of Expenditures of Federal Awards	75	
Notes to the Schedule of Expenditures of Federal Awards	106	
Schedule of Findings and Questioned Costs	107	
Summary Schedule of Prior Audit Finding	146	



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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit:

Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 40.3 percent of the assets, 12.7 percent of the net assets and 9.5 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 Internal Service Fund, which represent less than one percent of the assets, net assets and fund balances, and 4.1 percent of the revenues and additions of the aggregate remaining fund information;
- the financial statements of the Pension Trust Funds, which in the aggregate represent 88.7 percent of the assets, 92.3 percent of the net assets and fund balances, and 64.2 percent of the revenues and additions of the aggregate remaining fund information.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the higher Education Tuition Trust Enterprise Fund, the Self Insurance Internal Service Fund, the Pension Trust Funds and the Local Government Investment Pool

Investment Trust 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, 2007, 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 13, 2007 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 106, the Federal award programs of the Nevada System of Higher Education are not included in the accompanying Schedule of Expenditures of Federal Awards. Federal award programs of the Nevada System of Higher Education will be reported on separately.

Kafoury, Armstrong & Co.

Reno, Nevada
December 13, 2007, except for the information contained
on pages 73 through 165, as to which the date is March 14, 2008

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, 2007. 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, 2007 by \$6 billion (reported as *net assets*). Of the \$6 billion in net assets, \$1.9 billion was restricted and not available to meet the State's general obligations.

Changes in Net Assets – The State's total net assets increased by \$250.6 million in fiscal year 2007. Net assets of governmental activities increased by \$97.2 million (a 2.1% increase) and net assets of the business-type activities increased by \$153.4 million (a 13% increase).

Fund-level:

At the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$2.5 billion, a decrease of \$55.6 million from the prior year. Of this amount, \$1.3 billion represents the *unreserved fund balance*.

The State's enterprise funds reported combined ending net assets of \$1.3 billion, an increase of \$153.5 million from the prior year, attributable primarily to the Unemployment Compensation fund. Of this amount, \$9.4 million represents the *unrestricted net assets*.

The State's fiduciary funds reported combined ending net assets of \$23.8 billion, an increase of \$3.3 billion from the prior year, attributable primarily to the Pension Trust Funds.

Long-term Debt (government-wide):

The net increase in the State's long-term debt obligations was \$111 million (a 2.9% 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 or grants, or are financed with taxes and other general revenues. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused leave).

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

Governmental Activities – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education and support services, law, justice and public safety, regulation of business, transportation, recreation and resource development, intergovernmental, 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, 2007 and 2006 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

	Governmental Activities		Business-type Activities		Total		Total Change
	2007	2006	2007	2006	2007	2006	2007-2006
Assets							
Current and other assets	\$ 5,943,502	\$ 5,467,473	\$ 2,402,662	\$ 2,205,939	\$ 8,346,164	\$ 7,673,412	\$ 672,752
Net capital assets	4,843,737	4,669,812	3,162	2,824	4,846,899	4,672,636	174,263
Total assets	10,787,239	10,137,285	2,405,824	2,208,763	13,193,063	12,346,048	847,015
Liabilities							
Current liabilities	3,139,163	2,654,510	80,515	80,179	3,219,678	2,734,689	484,989
Long-term liabilities	2,924,759	2,856,639	1,019,348	976,084	3,944,107	3,832,723	111,384
Total liabilities	6,063,922	5,511,149	1,099,863	1,056,263	7,163,785	6,567,412	596,373
Net Assets							
Invested in capital assets, net of related debt	3,486,155	3,445,629	2,783	2,824	3,488,938	3,448,453	40,485
Restricted	613,375	675,966	1,293,737	1,143,248	1,907,112	1,819,214	87,898
Unrestricted (deficit)	623,787	504,541	9,441	6,428	633,228	510,969	122,259
Total net assets	\$ 4,723,317	\$ 4,626,136	\$ 1,305,961	\$ 1,152,500	\$ 6,029,278	\$ 5,778,636	\$ 250,642

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 \$6.029 billion at the end of 2007, compared with \$5.779 billion at the end of the previous year.

The largest portion of the State's net assets (\$3.49 billion or 58%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets (\$1.9 billion or 32%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported unrestricted net assets of \$633 million as compared to \$511 million in the prior year. This was primarily due to higher revenues in the form of gaming taxes, sales and use taxes, and unemployment taxes. At the end of the current fiscal year, the State is able to report positive balances in all of the three categories of net assets, both for the government as a whole, as well as for its governmental activities and the business-type activities.

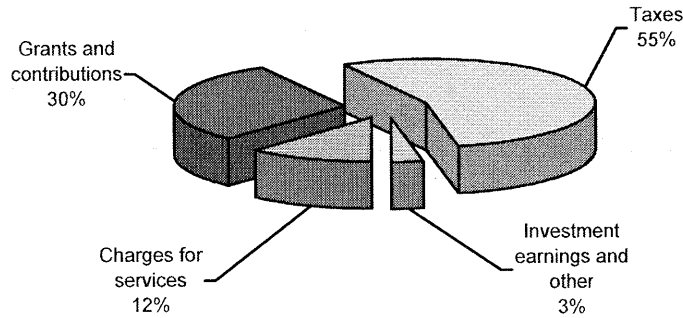
Changes in State of Nevada's Net Assets-Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Change
	2007	2006	2007	2006	2007	2006	2007-2006
Revenues							
Program revenues							
Charges for services	\$ 785,836	\$ 769,156	\$ 103,044	\$ 89,793	\$ 888,880	\$ 858,949	\$ 29,931
Operating grants and contributions	2,025,361	1,848,091	99,546	111,598	2,124,907	1,959,689	165,218
Capital grants and contributions	16,010	27,080	-	-	16,010	27,080	(11,070)
General revenues							
Sales and use taxes	1,149,456	1,097,939	-	-	1,149,456	1,097,939	51,517
Gaming taxes	1,029,044	1,003,111	-	-	1,029,044	1,003,111	25,933
Modified business taxes	282,729	255,252	-	-	282,729	255,252	27,477
Insurance premium taxes	261,378	238,297	-	-	261,378	238,297	23,081
Property and transfer taxes	296,498	318,941	-	-	296,498	318,941	(22,443)
Motor and special fuel taxes	300,182	297,383	-	-	300,182	297,383	2,799
Other taxes	427,110	398,460	372,742	365,598	799,852	764,058	35,794
Investment earnings	143,012	87,729	-	-	143,012	87,729	55,283
Other	99,476	86,371	-	-	99,476	86,371	13,105
Total Revenues	6,816,092	6,427,810	575,332	566,989	7,391,424	6,994,799	396,625
Expenses							
General government	421,291	349,224	-	-	421,291	349,224	72,067
Health and social services	2,340,884	2,198,551	-	-	2,340,884	2,198,551	142,333
Education and support services	2,254,626	1,830,236	-	-	2,254,626	1,830,236	424,390
Law, justice and public safety	624,149	578,049	-	-	624,149	578,049	46,100
Regulation of business	104,385	101,857	-	-	104,385	101,857	2,528
Transportation	680,281	508,569	-	-	680,281	508,569	171,712
Recreation and resource development	173,037	156,933	-	-	173,037	156,933	16,104
Interest on long-term debt	150,486	132,969	-	-	150,486	132,969	17,517
Unallocated depreciation	720	1,513	-	-	720	1,513	(793)
Unemployment insurance	-	-	296,784	239,232	296,784	239,232	57,552
Housing	-	-	46,152	45,397	46,152	45,397	755
Water loans	-	-	7,886	8,226	7,886	8,226	(340)
Workers' compensation and safety	-	-	25,381	23,991	25,381	23,991	1,390
Higher education	-	-	10,504	18,940	10,504	18,940	(8,436)
Other	-	-	16,424	15,601	16,424	15,601	823
Total Expenses	6,749,859	5,857,901	403,131	351,387	7,152,990	6,209,288	943,702
Excess (deficiency) in net assets before contributions to permanent funds, special items, and transfers	66,233	569,909	172,201	215,602	238,434	785,511	(547,077)
Contributions to permanent fund	12,208	76,553	-	-	12,208	76,553	(64,345)
Special item - one-time tax rebate	-	(276,773)	-	-	-	(276,773)	276,773
Transfers	18,740	31,373	(18,740)	(31,373)	-	-	-
Change in net assets	97,181	401,062	153,461	184,229	250,642	585,291	(334,649)
Net assets - beginning of year	4,626,136	4,225,074	1,152,500	968,271	5,778,636	5,193,345	585,291
Net assets - end of year	\$4,723,317	\$ 4,626,136	\$1,305,961	\$1,152,500	\$6,029,278	\$5,778,636	\$ 250,642

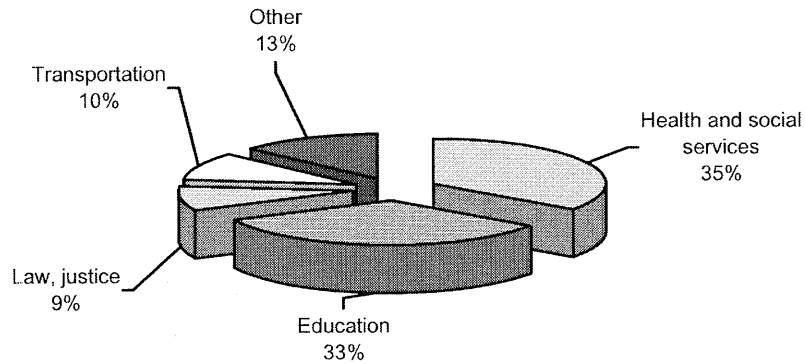
Changes in Net Assets:

Governmental activities –The net assets increased by \$97.2 million or 2.1%. Approximately 55% of the total revenue came from taxes, while 30% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 12% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were for health and social services (35%) and education (33%) (see chart below). In 2007, governmental activities expenses exceeded program revenues, resulting in the use of \$3.9 billion in general revenues, which were generated to support the government.

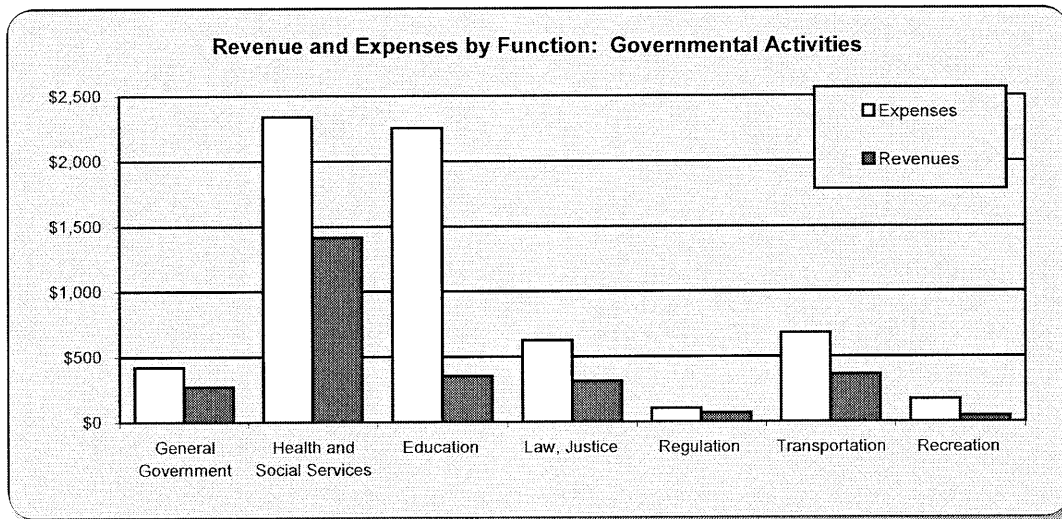
The following chart depicts the governmental activities revenues for the fiscal year:



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

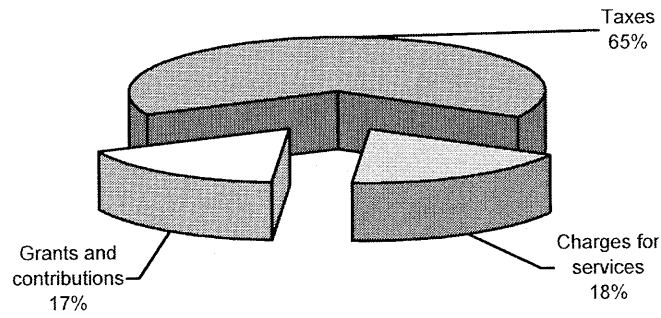


The following chart depicts the total program revenues and expenses for each function of governmental activities (expressed in millions):

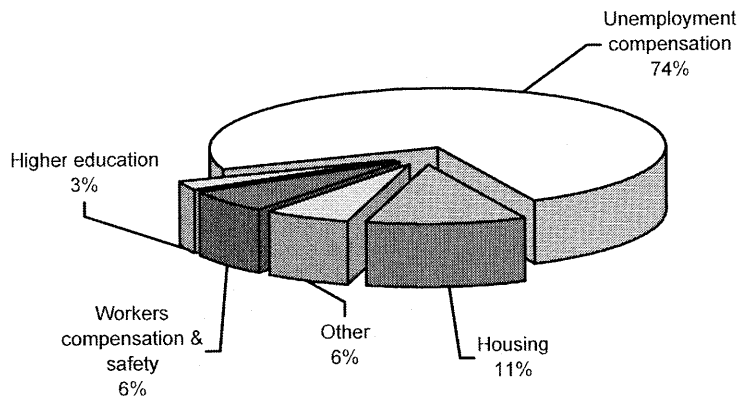


Business-type activities –The net assets increased by \$153.4 million or 13.3%. Approximately 65% of the total revenue came from taxes, while 17% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 18% of the total revenues (see chart below). The State’s business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (74%) and housing (11%) (see chart below). In 2007, business-type activities expenses exceeded program revenues, resulting in the use of \$257.5 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

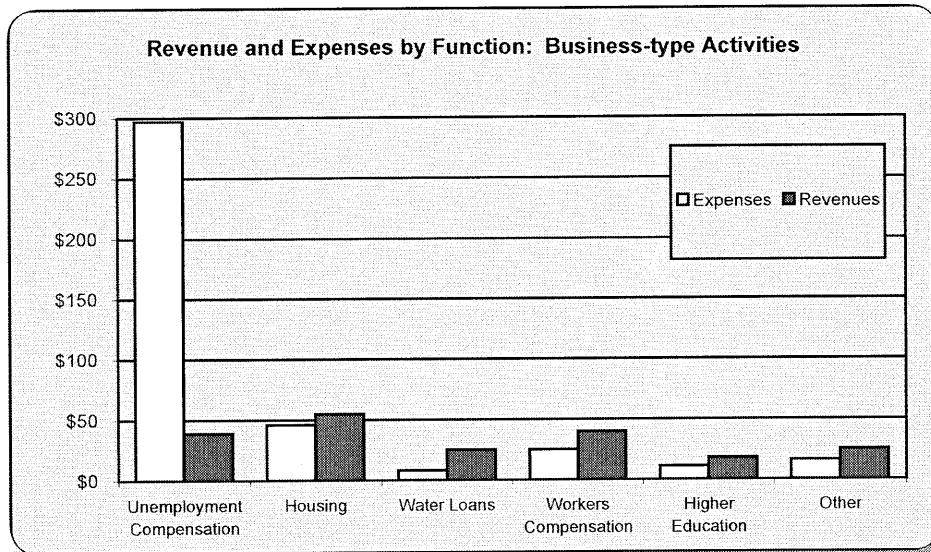
The following chart depicts the business-type activities revenues for the fiscal year:



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



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



In conclusion, the State government's overall financial position improved over the past fiscal year, with a \$97.2 million increase in the net assets of the governmental activities and a \$153.4 million dollar increase in the net assets of the business-type activities. However, the growth rates of nets assets for the governmental and business-type activities dropped from 9.5% and 19% to 2.1% and 13.3%, respectively. This is a result of Nevada's economy slowing after several years of impressive growth. As the housing sector continued to weaken through the fiscal year, both Nevada and the U.S. economy became affected even though the State continued to remain near top in many growth indicators. The growth rate of tax revenues decreased from

7.9% to 3.9%, mainly caused by the slowdown in growth of gaming, sales, property, and transfer taxes. A slowed economy affected both the governmental and business-type activities. An increase in unemployment claims, mostly related to the drop in construction and financial services 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 \$2.55 billion, a decrease of \$55.6 million in comparison with the prior year. Approximately 50.5% of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year, to pay debt service, to be held in permanent trust funds or for a variety of other purposes. The major governmental funds are discussed individually below:

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund balance was \$445 million. The fund balance decreased by \$76 million during the current fiscal year, which is a 14.7% decrease from the prior year. This decrease was primarily due to a decrease in revenue from property transfer taxes (\$44.5 million or 27%) and an increase in spending on Medicaid.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2007 and 2006 (expressed in thousands). Other financing sources are not included.

General Fund Revenues (expressed in thousands)						
	2007		2006		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	\$ 1,013,323	19.3%	\$ 987,672	19.5%	\$ 25,651	2.6%
Sales taxes	1,132,418	21.5%	1,099,483	21.7%	32,935	3.0%
Modified business taxes	278,953	5.3%	255,252	5.0%	23,701	9.3%
Insurance premium taxes	259,275	4.9%	238,296	4.7%	20,979	8.8%
Property and transfer taxes	120,375	2.3%	164,842	3.3%	(44,467)	-27.0%
Motor and special fuel taxes	3,040	0.1%	3,035	0.1%	5	0.2%
Intergovernmental	1,700,396	32.3%	1,638,003	32.4%	62,393	3.8%
Other taxes	305,536	5.8%	288,309	5.7%	17,227	6.0%
Licenses, fees and permits	212,700	4.0%	214,404	4.2%	(1,704)	-0.8%
Sales and charges for services	56,292	1.1%	48,322	1.0%	7,970	16.5%
Interest and investment income	120,503	2.3%	70,409	1.4%	50,094	71.1%
Other revenues	54,526	1.0%	49,685	1.0%	4,841	9.7%
Total revenues	\$ 5,257,337	100.0%	\$ 5,057,712	100.0%	\$ 199,625	3.9%

The total General Fund revenues increased 3.9%. The two largest increases in revenue source were \$62.4 million or 3.8% in federal grants and \$50 million or 71.1% in interest and investment income. The 71.1% increase in interest and investment income was due primarily to higher interest rates for short-term investments and increased cash balance. The largest decline in revenue source was \$44.5 million or 27% in property transfer taxes due to a downward trend in the housing market.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2007 and 2006 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures (expressed in thousands)						
	2007		2006		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 148,010	2.8%	\$ 122,521	2.6%	\$ 25,489	20.8%
Health and social services	2,145,702	41.1%	1,983,340	42.3%	162,362	8.2%
Education and support services	38,619	0.7%	38,201	0.8%	418	1.1%
Law, justice and public safety	418,187	8.0%	374,538	8.0%	43,649	11.7%
Regulation of business	78,608	1.5%	74,784	1.6%	3,824	5.1%
Recreation, resource development	117,645	2.3%	110,244	2.4%	7,401	6.7%
Intergovernmental	2,278,033	43.6%	1,984,536	42.3%	293,497	14.8%
Debt service	962	0.0%	808	0.0%	154	19.1%
Total expenditures	\$ 5,225,766	100.0%	\$ 4,688,972	100.0%	\$ 536,794	11.4%

The total General Fund expenditures increased 11.4%. Intergovernmental expenditures increased over \$293.5 million or 14.8% primarily due to intergovernmental expenditures for education, while expenditures for health and social services increased over \$162 million or 8.2%. The largest portion of this amount was for Medicaid.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance increased \$24 million during the current fiscal year, which is a 7% increase from the prior year. This increase is primarily due to increased use of federal funds, increased licenses, fees and permits revenue. The unreserved fund balance is negative \$75.8 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 \$214 million during the current fiscal year, which is a 25.7% decrease from the prior year. This decrease was primarily due to local governments refunding certain bonds.

The Consolidated Bond Interest and Redemption Fund is a debt service fund used to accumulate monies for the payment of leases and principal and interest on general obligation bonds of the State. The fund balance increased by \$36.4 million during the current fiscal year, which is a 34% increase from the prior year. The increase was due primarily to the increase in property taxes, as a result of higher assessed property values.

The Stabilize the Operations of State Government Fund (also known as the "Rainy Day" fund) is a special revenue fund used to account for funds set aside according to Nevada Revised Statutes (NRS) 353.288 to be expended only if actual revenues for the biennium fall short by 10% or more from anticipated revenues, or if the Legislature and the Governor declare a fiscal emergency. The fund balance increased by \$35 million during the current fiscal year, which is 14.4% increase from the prior year. This increase was primarily due to a transfer of \$34 million, bringing the fund balance to \$277 million. The \$34 million transfer was an appropriation from the General Fund as authorized by Senate Bill 95 of the 2005 Legislature. Under NRS 353.288, there was no annual deposit transferred from General Fund due to a low unrestricted fund balance.

Proprietary Funds:

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

Enterprise Funds – There are three *major* enterprise funds: Housing Division Fund, Unemployment Compensation Fund and Water Projects Loans Fund. The combined net assets of the three major funds comprise 97% of the total combined net assets of all enterprise funds. Combined net assets of enterprise funds increased by \$153.5 million in 2007. The major enterprise funds are discussed below:

The Housing Division Fund provides low interest loans to first-time homebuyers with low or moderate household incomes. The net assets increased by \$8.8 million or 5.6% during the current fiscal year and the results of operations were up 2.5% from last year, despite 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 increased by \$115 million during the current fiscal year, which is a 15% increase from the prior year. An increase in unemployment due to the slowdown in the economy and the drop in residential construction resulted in a 24% increase in operating expenses compared to the previous year. Transfers out decreased as construction of the Las Vegas building for the Department of Employment, Training, and Rehabilitation was completed during the current fiscal year. This building was partially funded by the transfer of Reed Act monies in fiscal years 2005 and 2006.

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 \$16.4 million during the current fiscal year, for a final fund balance of \$205 million.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance,

purchasing, printing, insurance, data processing and motor pool in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2007, total internal service fund net assets increased by \$15.5 million, for a final net asset balance of \$72.8 million. The two largest funds are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. The fund had a net gain of \$4 million for the year as compared to a net gain of \$20 million in prior year, with final net assets of \$79 million. This year's gain was less than the prior year gain due to a 10% increase in premium income versus a 19% increase in total operating expenses. Operating expenses increased primarily as a result of higher claims and increased insurance premiums.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The deficit decreased by \$9.3 million or 23.7% during fiscal year 2007, to a total deficit of \$30 million. This year's decrease was caused by a 4% increase in premium income and a 36% decrease in operating expense and a 34% decrease in claims expense. In the prior year, a tort claim was settled, causing the fiscal year 2006 claims expense to be higher than normal. Nevada Revised Statute 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund total sources were \$482 million or 6.9% less than the final budget. This was due primarily to actual intergovernmental revenues received that were less than the final budgeted amount.

The increase in the General Fund expenditures and other uses budget from original to final was \$875 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. 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. However, for the fiscal year ended June 30, 2007, most of the differences are due to bills passed by the 2007 Legislature, which convened February 2007. These bills were approved and effective shortly before June 30, 2007, but intended for, and balanced forward to, fiscal year 2008.

Some of the budget revisions included: \$170 million for Nevada Department of Transportation infrastructure projects including the interstate Highway 15 project in Las Vegas and the State Route 160 Blue Diamond project; \$33 million in health services related to federal grant activities; \$22 million in education for the multiple state school program, integration of computing resources, and school lunch and breakfast programs; \$17 million to cover deficiencies between amounts appropriated for, and actual expenditures for, the cost of living allowance and the step increase to the State's compensation schedule as approved by the 2005 Legislature under AB 577; \$16 million in public safety for one shot appropriations and medical care for inmates; \$10 million for restoring balances in the State Claim and Statutory Contingency accounts; \$8 million for healthcare subsidies to retired school district employees; and \$5 million for wildlife and conservation efforts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for its governmental and business-type activities as of June 30, 2007, amount to \$5.6 billion, net of accumulated depreciation of \$732 million, leaving a net book value of \$4.8 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

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

Department of Transportation conducts a biennial condition assessment of roadways and bridges in odd numbered calendar years. However, the calendar year 2007 assessment is not available as of the date of this report. Based on the 2005 assessments, the State has met the requirement of the modified approach, as follows:

Condition Level of the Roadways					
Percentage of roadways with an IRI of less than 80					
	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%
Actual results of 2001 condition assessment	83%	77%	86%	65%	19%

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

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2007 by \$24.3 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimated, condition levels are expected to continue to meet or exceed the target condition levels, as the most recent condition assessment indicates that the State already exceeds the established benchmarks in all categories. Additional information on the State's infrastructure can be found in the Schedule of Infrastructure Condition and Maintenance Data in the Required Supplementary Information section to the financial statements.

To keep pace with the demands of a growing population and economy, the State also has a substantial capital projects program. The following is a summary of major projects in progress during 2007 (expressed in millions):

	Expended by June 30, 2007	Total Budget
Unified Tax System	\$ 32.6	\$ 40.5
High Desert Prison, Phase IV, Indian Springs	7.2	40.3
150-Bed Psychiatric Hospital, Las Vegas	31.8	32.2
Las Vegas Readiness Center	23.6	27.4
Fish Hatcheries Refurbishment	20.5	23.2
Conservation and Natural Resources Building, Carson City	20.7	21.3
DETR New Office Building, Las Vegas	17.0	18.4
4th Pod to Psychiatric Hospital	10.5	11.3

The total increase in the State's capital assets for the primary government for the current fiscal year was \$391 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled \$77.6 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 \$3.94 billion in long-term debt outstanding, compared to \$3.83 billion last year, an increase of \$111 million or 2.9% during the current fiscal year. This increase was due primarily to the issuance of special obligation bonds.

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

New bonds issued during the 2007 fiscal year were (expressed in thousands):

General Obligation Open Space, Parks and Natural Resources	7/18/2006A	\$	22,000
General Obligation Natural Resources - Lake Tahoe	7/18/2006B		13,800
Natural Resources - Marlette Lake	7/18/2006B		2,200
General Obligation Cultural Affairs	7/18/2006C		2,925
General Obligation Water Refunding	7/18/2006D		111,840
Housing Single-Family 2006 Issue A	7/18/2006		22,500
Housing Single-Family 2006 Issue B	11/29/2006		22,500
General Obligation Capital Improvement	11/29/2006E		149,990
COPS Legislative Counsel Bureau Project	9/19/2006		5,760
General Obligation Natural Resources and Refunding - NR	11/29/2006F		6,000
General Obligation Natural Resources and Refunding - Ref	11/29/2006F		6,665
Safe Drinking Water Act Revolving Fund Matching	11/29/2006G		3,305
Special Obligation Highway Improvement Revenue	12/14/2006		192,730
Housing Multi-Unit 2006 Riverwood	12/19/2006		9,790
Housing Single-Family 2007 Issue A	5/22/2007		22,500
Housing Multi-Unit 2007 Centennial Park	5/24/2007		2,040
Housing Multi-Unit 2007 Golden Apartments	5/24/2007		8,200

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

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

Requests for Information

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

Statement of Net Assets



NEVADA

June 30, 2007 (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	\$ 2,312,401	\$ 858,548	\$ 3,170,949	\$ 6,586	\$ 158,127
Investments	913,851	575,510	1,489,361	-	775,061
Collateral on loaned securities	1,296,548	36,496	1,333,044	6,210	-
Internal balances	3,915	(3,915)	-	-	-
Due from the state	-	-	-	356	218,365
Accounts receivable	86,308	3,850	90,158	19,214	5,420
Taxes/assessments receivable	852,566	120,987	973,553	-	-
Intergovernmental receivables	410,824	1,223	412,047	-	-
Accrued interest and dividends	37,418	11,596	49,014	136	37,511
Contracts receivable	-	19,862	19,862	-	-
Mortgages receivable	-	585,896	585,896	-	-
Notes/loans receivable	726	54,018	54,744	-	-
Other receivables	3	-	3	-	11,432
Inventory	12,689	1,319	14,008	-	19,098
Prepaid expenses	1,200	69	1,269	41,192	6,294
Deferred charges	15,053	2,950	18,003	-	-
Restricted assets:					
Cash	-	-	-	6,797	33,431
Investments	-	129,087	129,087	-	13,758
Other assets	-	5,166	5,166	-	62,230
Capital assets:					
Land, infrastructure and construction in progress	3,814,194	930	3,815,124	-	419,044
Other capital assets, net	1,029,543	2,232	1,031,775	62,697	1,162,605
Total assets	10,787,239	2,405,824	13,193,063	143,188	2,922,376
Liabilities					
Accounts payable	772,527	26,520	799,047	12,593	57,563
Accrued payroll and related liabilities	44,152	636	44,788	-	28,504
Intergovernmental payables	196,879	8	196,887	-	7,654
Interest payable	30,402	9,622	40,024	1,549	9,769
Due to component units	218,568	153	218,721	-	-
Contracts/retentions payable	88,891	-	88,891	-	-
Obligations under securities lending	1,296,548	36,496	1,333,044	6,210	-
Unearned revenues	377,244	7,073	384,317	322	36,754
Reserve for losses	72,232	-	72,232	-	-
Other liabilities	41,721	8	41,729	5,696	21,207

Long-term liabilities:									
Portion due or payable within one year:									
Obligations under capital leases	1,837	-	1,837	-	-	1,837	-	-	2,928
Compensated absences	65,700	1,005	66,705	5,901	66,705	235	235	28,906	-
Benefits payable	-	5,901	5,901	191,068	191,068	1,584	1,584	16,385	-
Bonds payable	171,405	19,663	191,068	-	1,135	-	-	-	-
Certificates of participation payable	1,135	-	1,135	-	-	-	-	-	-
Portion due or payable after one year:									
Obligations under capital leases	14,118	-	14,118	-	14,118	-	-	9,817	-
Compensated absences	32,205	556	32,761	110,017	32,761	19	19	12,666	-
Benefits payable	-	110,017	110,017	3,460,214	110,017	-	-	-	-
Bonds payable	2,578,039	882,175	3,460,214	59,320	3,460,214	107,268	107,268	469,282	-
Certificates of participation payable	59,320	-	59,320	-	59,320	-	-	-	-
Arbitrage rebate liability	999	30	1,029	-	1,029	-	-	-	-
Total liabilities	6,063,922	1,099,863	7,163,785		7,163,785	135,476	135,476	701,435	
Net Assets									
Invested in capital assets, net of related debt	3,486,155	2,783	3,488,938		3,488,938	(3,564)	(3,564)	1,135,471	
Restricted for:									
Unemployment compensation	-	888,917	888,917		888,917	-	-	-	-
Security of outstanding obligations	-	163,633	163,633		163,633	-	-	-	-
Workers' compensation	-	30,450	30,450		30,450	-	-	-	-
Tuition contract benefits	-	5,287	5,287		5,287	-	-	-	-
Capital projects	6	-	6		6	-	-	180,781	-
Debt service	31,385	-	31,385		31,385	-	-	3,908	-
Education and support services	4,837	-	4,837		4,837	-	-	-	-
Transportation	214,128	-	214,128		214,128	-	-	-	-
Recreation and resource development	37,183	205,203	242,386		242,386	-	-	-	-
Law, justice and public safety	5,718	-	5,718		5,718	-	-	-	-
Health and social services	31,191	-	31,191		31,191	-	-	-	-
Regulation of business	12,704	247	12,951		12,951	-	-	-	-
Municipal securities	111	-	111		111	-	-	279,313	-
Scholarships	-	-	-		-	-	-	5,914	-
Loans	-	-	-		-	-	717	-	-
Operations and maintenance	-	-	-		-	-	-	-	-
Funds held as permanent investments:									
Nonexpendable	276,090	-	276,090		276,090	-	-	233,553	-
Expendable	22	-	22		22	-	-	-	-
Unrestricted	623,787	9,441	633,228		633,228	10,559	10,559	382,001	-
Total net assets	4,723,317	1,305,961	6,029,278		6,029,278	7,712	7,712	2,220,941	

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

Statement of Activities



NEVADA

For the Fiscal Year Ended June 30, 2007 (Expressed in Thousands)

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Nevada System of Higher Education	
					Governmental Activities	Business-type Activities	Total	Colorado River Commission	
Primary Government									
Governmental activities:									
General government	\$ 421,291	\$ 254,947	\$ 15,694	\$ -	\$ (150,650)	\$ -	\$ (150,650)	\$ -	\$ -
Health and social services	2,340,884	125,915	1,289,240	14	(925,715)	-	(925,715)	-	-
Education and support services	2,254,626	5,180	347,157	-	(1,902,289)	-	(1,902,289)	-	-
Law, justice and public safety	624,149	256,015	46,883	10,281	(310,970)	-	(310,970)	-	-
Regulation of business	104,385	60,076	7,795	-	(36,514)	-	(36,514)	-	-
Transportation	680,281	48,192	313,572	4,432	(314,085)	-	(314,085)	-	-
Recreation and resource development	173,037	35,511	5,020	1,283	(131,223)	-	(131,223)	-	-
Interest on long-term debt	150,486	-	-	-	(150,486)	-	(150,486)	-	-
Unallocated depreciation	720	-	-	-	(720)	-	(720)	-	-
Total governmental activities	6,749,859	785,836	2,025,361	16,010	(3,922,652)	-	(3,922,652)	-	-
Business-type activities:									
Unemployment insurance	296,784	-	39,265	-	-	(257,519)	(257,519)	-	-
Housing	46,152	32,372	22,523	-	-	8,743	8,743	-	-
Water loans	7,885	9,907	15,080	-	-	17,102	17,102	-	-
Workers' compensation and safety	25,381	36,037	4,353	-	-	15,009	15,009	-	-
Higher education	10,504	76	18,101	-	-	7,673	7,673	-	-
Other	16,424	24,652	224	-	-	8,452	8,452	-	-
Total business-type activities	403,130	103,044	99,546	-	-	(200,540)	(200,540)	-	-
Total primary government	\$ 7,152,989	\$ 888,880	\$ 2,124,907	\$ 16,010	\$ (3,922,652)	\$ (200,540)	\$ (4,123,192)	\$ -	\$ -
Component Units									
Colorado River Commission	\$ 85,466	\$ 74,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,876)	\$ -
Nevada System of Higher Education	1,391,055	439,467	369,055	4,300	-	-	-	-	(578,233)
Total component units	\$ 1,476,521	\$ 514,057	\$ 369,055	\$ 4,300	\$ -	\$ -	\$ -	\$ (10,876)	\$ (578,233)

General revenues:					
Taxes:					
Gaming	991,063	-	991,063	-	-
Sales and use	1,037,800	-	1,037,800	-	-
Modified business	282,729	-	282,729	-	-
Insurance premium	261,378	-	261,378	-	-
Property and transfer	120,375	-	120,375	-	-
Motor and special fuel	3,040	-	3,040	-	-
Other	278,266	-	278,266	-	-
Restricted for unemployment compensation:					
Other taxes	-	372,741	372,741	-	-
Restricted for educational purposes:					
Sales and use taxes	111,656	-	111,656	-	-
Gaming taxes	36,363	-	36,363	-	-
Restricted for debt service purposes:					
Property and transfer taxes	154,039	-	154,039	-	-
Motor and special fuel taxes	76,382	-	76,382	-	-
Other	59,948	-	59,948	-	-
Restricted for recreation and resource development purposes:					
Other taxes	32,488	-	32,488	-	-
Restricted for health and social services purposes:					
Gaming taxes	1,618	-	1,618	-	-
Property and transfer taxes	22,084	-	22,084	-	-
Other taxes	31,613	-	31,613	-	-
Restricted for transportation purposes:					
Motor and special fuel taxes	220,760	-	220,760	-	-
Other taxes	20,909	-	20,909	-	-
Restricted for regulation purposes:					
Other taxes	3,885	-	3,885	-	-
Tobacco settlement income	43,235	-	43,235	-	-
Unrestricted investment earnings	143,013	-	143,013	1,529	106,658
Gain on sale of assets	114	-	114	-	-
Other general revenues	56,127	-	56,127	574	13,522
Contributions to permanent funds	12,208	-	12,208	-	17,671
Payments from State of Nevada	-	-	-	-	594,954
Transfers	18,740	(18,740)	-	-	-
Total general revenues and transfers	4,019,833	354,001	4,373,834	2,103	732,805
Change in net assets	97,181	153,461	250,642	(8,773)	154,572
Net assets - beginning	4,626,136	1,152,500	5,778,636	16,485	2,066,369
Net assets - ending	\$ 4,723,317	\$ 1,305,961	\$ 6,029,278	\$ 7,712	\$ 2,220,941

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

Balance Sheet Governmental Funds

June 30, 2007

	General Fund	State Highway	Municipal Bond Bank
Assets			
<i>Cash and pooled investments:</i>			
Cash with treasurer	\$ 882,084,554	\$ 389,373,552	\$ 513,350
Cash in custody of other officials	3,544,410	178,425	-
Investments	23,959,969	-	617,320,000
Collateral on loaned securities	832,538,167	224,660,367	7,485,335
<i>Receivables:</i>			
Accounts receivable	50,110,453	10,014,927	-
Taxes receivable	808,750,467	37,925,738	-
Intergovernmental receivables	216,870,314	23,523,314	-
Accrued interest and dividends	31,231,663	-	3,702,338
Notes/loans receivable	540,421	-	-
Other receivables	2,701	-	-
Due from other funds	27,610,988	10,716,025	46,707
Due from fiduciary funds	218,916	-	-
Due from component units	1,885,875	-	-
Inventory	-	11,478,038	-
Advances to other funds	9,017,343	4,434	-
Prepaid items	1,097,913	13,623	-
Total assets	\$ 2,889,464,154	\$ 707,888,443	\$ 629,067,730
Liabilities and Fund Balances			
<i>Accounts payable and accruals:</i>			
Accounts payable	\$ 275,059,775	\$ 23,414,873	\$ -
Accrued payroll and related liabilities	28,742,597	11,813,030	-
Intergovernmental payables	176,965,477	6,753,015	-
Interest payable	-	-	-
Contracts/retentions payable	2,977,126	47,552,621	-
Obligations under securities lending	832,538,167	224,660,367	7,485,335
Due to other funds	206,847,898	2,116,015	448,932
Due to fiduciary funds	453,390,658	915,542	-
Due to component units	60,661,656	225,406	-
Deferred revenues	370,522,931	19,046,162	3,703,270
Bonds payable	-	-	-
Other liabilities	36,667,308	3,960,946	-
Total liabilities	2,444,373,593	340,457,977	11,637,537
Fund balances:			
<i>Reserved:</i>			
Encumbrances and contracts	6,929,469	431,704,680	-
Inventories	-	11,478,038	-
Advances	9,017,343	4,434	-
Funds held as permanent investments	-	-	-
Fiscal emergency	-	-	-
Debt service	-	-	-
Other	1,638,334	13,623	-
Unreserved, designated for balances forward	427,505,415	-	-
<i>Unreserved, designated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Unreserved, undesignated	-	(75,770,309)	617,430,193
<i>Unreserved, undesignated, reported in nonmajor:</i>			
Special revenue funds	-	-	-
Permanent funds	-	-	-
Total fund balances	445,090,561	367,430,466	617,430,193
Total liabilities and fund balances	\$ 2,889,464,154	\$ 707,888,443	\$ 629,067,730

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



NEVADA

Consolidated Bond Interest and Redemption	Stabilize the Operations of State Government	Other Governmental Funds	Total Governmental Funds
\$ 143,334,179	\$ 274,067,187	\$ 487,604,360	\$ 2,176,977,182
-	-	5,660,281	9,383,116
4,711,682	-	267,859,083	913,850,734
86,784,866	2,941,745	107,072,351	1,261,482,831
-	-	23,985,870	84,111,250
-	-	5,889,216	852,565,421
150,666,088	-	10,206,281	401,265,997
-	-	2,483,819	37,417,820
-	-	46,664	587,085
-	-	709	3,410
10,046,235	3,013,879	190,368,760	241,802,594
-	-	421,182	640,098
6,930,000	-	21,108	8,836,983
-	-	919,350	12,397,388
1,958,276	-	-	10,980,053
-	-	88,225	1,199,761
\$ 404,431,326	\$ 280,022,811	\$ 1,102,627,259	\$ 6,013,501,723
\$ 23,377	\$ 295	\$ 9,463,226	\$ 307,961,546
-	-	2,569,972	43,125,599
-	-	13,065,124	196,783,616
3,989,103	-	-	3,989,103
-	-	38,361,308	88,891,055
86,784,866	2,941,745	107,072,351	1,261,482,831
6,625	-	35,471,584	244,891,054
-	-	21,744	454,327,944
276,465	-	173,454,754	234,618,281
160,078,445	1,472	24,191,086	577,543,366
9,680,000	-	-	9,680,000
-	-	1,092,510	41,720,764
260,838,881	2,943,512	404,763,659	3,465,015,159
-	-	81,475,092	520,109,241
-	-	919,350	12,397,388
1,958,276	-	-	10,980,053
-	-	276,090,124	276,090,124
-	267,632,516	-	267,632,516
141,634,169	-	31,384,547	173,018,716
-	-	134,889	1,786,846
-	-	-	427,505,415
-	-	13,913,893	13,913,893
-	-	87,057,259	87,057,259
-	9,446,783	-	551,106,667
-	-	206,866,559	206,866,559
-	-	21,887	21,887
143,592,445	277,079,299	697,863,600	2,548,486,564
\$ 404,431,326	\$ 280,022,811	\$ 1,102,627,259	\$ 6,013,501,723

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



NEVADA

June 30, 2007

Total fund balances - governmental funds \$ 2,548,486,564

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	\$ 112,030,372	
Construction in progress	132,498,764	
Infrastructure assets	3,054,495,206	
Rights-of-way	512,610,217	
Buildings	1,119,710,998	
Improvements other than buildings	91,201,029	
Furniture and equipment	327,338,790	
Software costs	123,257,654	
Accumulated depreciation/amortization	<u>(665,242,025)</u>	
Total capital assets		4,807,901,005

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. 201,945,450

A portion of the interest accrued on bonds payable (not reported in the funds) is due from local governments. 3,702,338

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. 72,751,849

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. 5,055,590

Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt. 9,997,729

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	(2,730,350,358)	
Accrued interest on bonds	(26,412,864)	
Arbitrage rebate liability	(999,084)	
Certificates of participation	(60,455,000)	
Capital leases	(13,552,073)	
Compensated absences	<u>(94,753,580)</u>	
Total long-term liabilities		<u>(2,926,522,959)</u>

Net assets of governmental activities \$ 4,723,317,566

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, 2007

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	\$ 1,013,322,783	\$ -	\$ -
Sales taxes	1,132,418,101	-	-
Modified business taxes	278,952,602	-	-
Insurance premium taxes	259,274,818	-	-
Property and transfer taxes	120,374,961	-	-
Motor and special fuel taxes	3,040,230	220,760,416	-
Other taxes	305,536,124	20,908,818	-
Intergovernmental	1,700,396,210	331,089,288	-
Licenses, fees and permits	212,700,365	185,564,162	-
Sales and charges for services	56,291,687	25,549,133	-
Interest and investment income	120,503,293	36,937,227	42,651,424
Tobacco settlement income	-	-	-
Land sales	-	-	-
Other	54,525,626	23,495,761	-
Total revenues	5,257,336,800	844,304,805	42,651,424
Expenditures			
<i>Current:</i>			
General government	148,009,776	12,421,343	47,008
Health and social services	2,145,702,052	-	-
Education and support services	38,619,354	-	-
Law, justice and public safety	418,187,442	148,973,732	-
Regulation of business	78,607,953	-	-
Transportation	-	776,852,427	-
Recreation and resource development	117,645,250	-	-
Intergovernmental	2,278,032,900	47,617,814	-
Capital outlay	-	-	-
<i>Debt service:</i>			
Principal	481,929	828,826	-
Interest, fiscal charges	308,020	48,317	-
Debt issuance costs	171,776	744,039	-
Total expenditures	5,225,766,452	987,486,498	47,008
Excess (deficiency) of revenues over expenditures	31,570,348	(143,181,693)	42,604,416
Other Financing Sources (Uses)			
Capital leases	8,486,832	-	-
Sale of general obligation bonds	24,809,313	192,440,549	-
Premium on general obligation bonds	278,100	7,268,915	-
Sale of certificates of participation	-	-	-
Discount on certificates of participation	-	-	-
Sale of capital assets	632,158	2,968	-
Sale of general obligation refunding bonds	-	-	-
Payment to refunded bond agent	-	-	-
Transfers in	92,458,535	708,712	-
Transfers out	(234,640,390)	(33,281,652)	(256,454,564)
Total other financing sources (uses)	(107,975,452)	167,139,492	(256,454,564)
Net change in fund balances	(76,405,104)	23,957,799	(213,850,148)
Fund balances, July 1	521,495,665	343,472,667	831,280,341
Fund balances, June 30	\$ 445,090,561	\$ 367,430,466	\$ 617,430,193

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



NEVADA

Consolidated Bond Interest and Redemption	Stabilize the Operations of State Government	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 15,340,673	\$ 1,028,663,456
-	-	-	1,132,418,101
-	-	-	278,952,602
-	-	-	259,274,818
154,038,931	-	22,084,499	296,498,391
-	-	76,381,573	300,182,219
-	-	46,990,768	373,435,710
18,822,732	-	58,607,704	2,108,915,934
-	-	31,236,077	429,500,604
-	-	15,567,151	97,407,971
9,698,023	432,050	29,429,286	239,651,303
-	-	37,351,364	37,351,364
-	-	5,756,070	5,756,070
2,043,688	-	11,021,007	91,086,082
<u>184,603,374</u>	<u>432,050</u>	<u>349,766,172</u>	<u>6,679,094,625</u>
3,107,398	154,355	66,270,814	230,010,694
-	-	74,510,369	2,220,212,421
-	-	637,844	39,257,198
-	-	16,439,622	583,600,796
-	-	21,511,397	100,119,350
-	-	-	776,852,427
-	-	26,599,813	144,245,063
276,465	-	176,294,991	2,502,222,170
-	-	71,998,835	71,998,835
305,480,000	-	41,280,913	348,071,668
107,482,904	-	30,132,943	137,972,184
1,278,831	-	971,840	3,166,486
<u>417,625,598</u>	<u>154,355</u>	<u>526,649,381</u>	<u>7,157,729,292</u>
<u>(233,022,224)</u>	<u>277,695</u>	<u>(176,883,209)</u>	<u>(478,634,667)</u>
-	-	-	8,486,832
987,102	-	168,918,283	387,155,247
3,985,967	-	6,102,257	17,635,239
-	-	5,760,000	5,760,000
-	-	(78,087)	(78,087)
-	-	10,390	645,516
118,346,026	-	-	118,346,026
(122,039,659)	-	-	(122,039,659)
268,175,757	37,617,689	188,176,589	587,137,282
(31,277)	(2,935,894)	(52,625,821)	(579,969,598)
<u>269,423,916</u>	<u>34,681,795</u>	<u>316,263,611</u>	<u>423,078,798</u>
36,401,692	34,959,490	139,380,402	(55,555,869)
107,190,753	242,119,809	558,483,198	2,604,042,433
<u>\$ 143,592,445</u>	<u>\$ 277,079,299</u>	<u>\$ 697,863,600</u>	<u>\$ 2,548,486,564</u>

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



NEVADA

June 30, 2007

Net change in fund balances - total governmental funds \$ (55,555,869)

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	\$245,031,736	
Depreciation expense	<u>(70,547,357)</u>	
Excess of capital outlay over depreciation expense		174,484,379

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	(505,752,500)	
Certificates of participation issued	(5,760,000)	
Premiums on debt issued	<u>(17,635,240)</u>	
Total bond proceeds		(529,147,740)

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.

(8,486,832)

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	344,956,687	
Certificates of participation retirement	985,000	
Capital lease payments	1,466,669	
Payments to the bond refunding agent	<u>122,028,434</u>	
Total long-term debt repayment		469,436,790

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.

15,509,236

Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.

41,011,398

In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(2,115,255)

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.

3,151,578

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

(670,204)

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

(9,007,159)

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

7,692,397

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	(2,310,529)	
Increase in compensated absences	(5,811,961)	
Increase in arbitrage liability	(999,084)	
Total additional expenditures		<u>(9,121,574)</u>

Change in net assets of governmental activities \$ 97,181,145

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

**Statement of Net Assets
Proprietary Funds**

June 30, 2007

Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
<i>Cash and pooled investments:</i>						
Cash with treasurer	\$ 67,557	\$ -	\$ 35,702,522	\$ 43,700,714	\$ 79,470,793	\$126,040,802
Cash in custody of other officials	194,837	777,192,775	-	1,689,839	779,077,451	200
Investments	24,250,067	-	-	-	24,250,067	-
Collateral on loaned securities	-	-	19,370,154	17,126,102	36,496,256	35,065,121
<i>Receivables:</i>						
Accounts receivable	-	-	-	3,799,980	3,799,980	1,556,064
Assessments receivable	-	120,987,222	-	-	120,987,222	-
Intergovernmental receivables	-	-	864,389	358,168	1,222,557	4,996,451
Contracts receivable	-	-	-	4,900,000	4,900,000	-
Mortgages receivable	9,356,660	-	-	-	9,356,660	-
Accrued interest and dividends	6,038,755	678,627	4,038,900	505,090	11,261,372	-
Notes/loans receivable	-	-	-	-	-	5,000
Due from other funds	4,703	-	683,182	1,544,144	2,232,029	10,015,745
Due from fiduciary funds	-	-	-	49,693	49,693	549
Due from component units	-	-	-	354	354	6,370,215
Inventory	-	-	-	1,318,931	1,318,931	291,882
Prepaid expenses	-	-	-	69,525	69,525	-
<i>Restricted assets:</i>						
Investments	124,703,100	-	-	-	124,703,100	-
Total current assets	164,615,679	898,858,624	60,659,147	75,062,540	1,199,195,990	184,342,029
Noncurrent assets:						
Investments	218,173,902	-	230,407,945	102,678,190	551,260,037	-
<i>Receivables:</i>						
Intergovernmental receivables	-	-	-	-	-	859,252
Contracts receivable	-	-	-	14,961,598	14,961,598	-
Mortgages receivable	576,539,532	-	-	-	576,539,532	-
Accrued interest and dividends	-	-	-	333,924	333,924	-
Notes/loans receivable	-	-	52,509,939	1,507,715	54,017,654	134,400
Deferred charges	1,325,944	-	1,599,366	24,905	2,950,215	-
Due from component units	-	-	-	-	-	873,149
<i>Restricted assets:</i>						
Investments	4,384,023	-	-	-	4,384,023	-
Other assets	5,151,379	-	-	15,000	5,166,379	-
<i>Capital assets:</i>						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	19,314,531
Improvements other than buildings	-	-	-	630,647	630,647	713,667
Furniture and equipment	334,500	-	43,947	4,630,432	5,008,879	57,960,152
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	362,663	362,663	2,428,380
Less accumulated depreciation/ amortization	(311,852)	-	(38,369)	(6,446,454)	(6,796,675)	(60,035,150)
Total noncurrent assets	805,597,428	-	284,522,828	122,655,272	1,212,775,528	37,703,145
Total assets	970,213,107	898,858,624	345,181,975	197,717,812	2,411,971,518	222,045,174



NEVADA

Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
<i>Accounts payable and accruals</i>						
Accounts payable	14,007,277	9,941,121	156,518	2,351,635	26,456,551	5,160,963
Accrued payroll/related liabilities	52,906	-	19,022	563,566	635,494	1,025,973
Interest payable	7,317,427	-	2,295,695	8,661	9,621,783	-
Intergovernmental payables	-	-	-	8,435	8,435	95,875
Bank overdraft	-	-	-	-	-	5,068,043
Obligations under securities lending	-	-	19,370,154	17,126,102	36,496,256	35,065,121
Due to other funds	9,112	-	694,980	4,251,424	4,955,516	4,203,798
Due to fiduciary funds	-	-	-	63,571	63,571	7,013
Due to component units	-	-	-	152,981	152,981	30,637
Unearned revenues	-	-	-	7,072,823	7,072,823	1,646,032
Other liabilities	-	-	-	7,787	7,787	-
<i>Short-term portion of long-term liabilities:</i>						
Compensated absences	106,297	-	31,359	866,896	1,004,552	2,067,720
Benefits payable	-	-	-	5,901,392	5,901,392	-
Bonds payable	12,557,000	-	7,069,733	35,000	19,661,733	398,729
Obligations under capital leases	-	-	-	-	-	620,523
Total current liabilities	34,050,019	9,941,121	29,637,461	38,410,273	112,038,874	55,390,427
Noncurrent liabilities:						
Advances from funds	-	-	-	1,212,648	1,212,648	9,767,405
Reserve for losses	-	-	-	-	-	72,232,297
Compensated absences	95,887	-	19,353	441,180	556,420	1,083,380
Benefits payable	-	-	-	110,017,000	110,017,000	-
Bonds payable	769,750,000	-	110,285,563	2,140,784	882,176,347	9,015,759
Obligations under capital leases	-	-	-	-	-	1,782,572
Arbitrage rebate liability	-	-	30,480	-	30,480	-
Total noncurrent liabilities	769,845,887	-	110,335,396	113,811,612	993,992,895	93,881,413
Total liabilities	803,895,906	9,941,121	139,972,857	152,221,885	1,106,031,769	149,271,840
Net Assets						
Invested in capital assets, net of related debt	22,648	-	5,578	2,754,497	2,782,723	24,018,761
<i>Restricted for:</i>						
Unemployment compensation	-	888,917,503	-	-	888,917,503	-
Tuition contract benefits	-	-	-	5,286,679	5,286,679	-
Security of outstanding obligations	163,633,218	-	-	-	163,633,218	-
Workers' compensation	-	-	-	30,449,650	30,449,650	-
Revolving loans	-	-	205,203,540	-	205,203,540	-
Regulation of business	-	-	-	247,270	247,270	-
Unrestricted (deficit)	2,661,335	-	-	6,757,831	9,419,166	48,754,573
Total net assets	\$166,317,201	\$ 888,917,503	\$205,209,118	\$ 45,495,927	1,305,939,749	\$ 72,773,334

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

21,485
\$1,305,961,234

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, 2007

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues						
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$278,270,582
Sales	-	-	-	12,984,381	12,984,381	5,357,957
Assessments	-	372,741,891	-	30,188,126	402,930,017	-
Charges for services	-	-	99,500	12,469,980	12,569,480	49,191,418
Rental income	-	-	-	207,187	207,187	18,896,231
Interest income on loans/notes	29,106,167	-	9,807,187	108,559	39,021,913	-
Federal government	-	4,741,820	11,739,393	-	16,481,213	-
Licenses, fees and permits	-	-	-	4,443,844	4,443,844	-
Fines	-	-	-	2,649,747	2,649,747	-
Other	3,265,634	-	-	3,691,633	6,957,267	2,016,426
Total operating revenues	32,371,801	377,483,711	21,646,080	66,743,457	498,245,049	353,732,614
Operating Expenses						
Salaries and benefits	1,634,713	-	587,620	16,980,398	19,202,731	33,444,169
Operating	2,190,560	-	717,085	13,647,504	16,555,149	40,013,667
Claims and benefits expense	-	296,783,836	-	17,265,304	314,049,140	195,087,225
Interest on bonds payable	37,002,473	-	-	-	37,002,473	-
Materials or supplies used	-	-	-	2,995,975	2,995,975	2,524,356
Servicers' fees	213,749	-	-	-	213,749	-
Depreciation	11,380	-	6,937	448,806	467,123	5,082,744
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	556,073	-	164,148	-	720,221	-
Insurance premiums	-	-	-	-	-	76,247,422
Total operating expenses	41,608,948	296,783,836	1,475,790	51,337,987	391,206,561	353,931,964
Operating income (loss)	(9,237,147)	80,699,875	20,170,290	15,405,470	107,038,488	(199,350)
Nonoperating Revenues (Expenses)						
Interest and investment income	17,780,581	34,523,599	3,340,251	14,636,065	70,280,496	6,405,080
Interest expense	-	-	(6,378,700)	(917,079)	(7,295,779)	(2,349,488)
Bond issuance costs amortization	-	-	-	(825)	(825)	-
Federal grant revenue	4,742,511	-	-	2,074,955	6,817,466	-
Federal grant expense	(4,533,081)	-	-	-	(4,533,081)	-
Gain (loss) on disposal of assets	-	-	-	(10,227)	(10,227)	84,377
Arbitrage rebate	-	-	(30,480)	-	(30,480)	-
Total nonoperating revenues (expenses)	17,990,011	34,523,599	(3,068,929)	15,782,889	65,227,570	4,139,969
Income (loss) before transfers	8,752,864	115,223,474	17,101,361	31,188,359	172,266,058	3,940,619
Transfers						
Transfers in	-	-	-	1,079,256	1,079,256	11,709,300
Transfers out	-	-	(666,252)	(19,153,207)	(19,819,459)	(136,781)
Change in net assets	8,752,864	115,223,474	16,435,109	13,114,408	153,525,855	15,513,138
Net assets, July 1	157,564,337	773,694,029	188,774,009	32,381,519	-	57,260,196
Net assets, June 30	\$166,317,201	\$ 888,917,503	\$205,209,118	\$45,495,927	-	\$ 72,773,334

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

(64,337)
\$ 153,461,518

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, 2007

	Enterprise Funds				Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds		
Cash flows from operating activities						
Receipts from customers and users	\$ 15,277,646	\$ 372,500,201	\$ 99,500	\$62,336,866	\$ 450,214,213	\$ 51,993,791
Receipts for interfund services provided	249,241	1,192,516	537,162	4,685,359	6,664,278	230,376,143
Receipts from component units	-	-	-	-	-	66,954,070
Receipts of principal on loans/notes	302,032,523	-	11,400,309	280,813	313,713,645	-
Receipts of interest on loans/notes	39,315,024	-	8,213,664	97,512	47,626,200	-
Receipts from federal government	-	4,741,820	10,875,004	-	15,616,824	-
Payments to suppliers, other governments and beneficiaries	(10,859,917)	(295,938,178)	(560,568)	(19,210,964)	(326,569,627)	(299,207,628)
Payments to employees	(1,497,582)	-	(516,277)	(16,372,893)	(18,386,752)	(32,392,352)
Payments for interfund services	(484,145)	-	-	(3,905,026)	(4,389,171)	(17,434,973)
Payments to component units	-	-	-	(2,128,403)	(2,128,403)	(625,003)
Purchase of loans and notes	(310,255,950)	-	(39,752,797)	(137,183)	(350,145,930)	-
Net cash provided by (used for) operating activities	33,776,840	82,496,359	(9,704,003)	25,646,081	132,215,277	(335,952)
Cash flows from noncapital financing activities						
Grant receipts	-	-	-	2,104,892	2,104,892	-
Proceeds from sale of bonds	87,530,000	-	3,344,223	-	90,874,223	-
Transfers and advances from other funds	4,742,511	-	-	976,538	5,719,049	5,530,321
Principal paid on noncapital debt	(51,003,000)	-	(6,685,000)	-	(57,688,000)	-
Interest paid on noncapital debt	(36,956,133)	-	(5,327,241)	-	(42,283,374)	-
Transfers and advances to other funds	(776,359)	-	(512,790)	(19,423,374)	(20,712,523)	(769,489)
Other noncapital financing activities	(4,533,081)	-	-	-	(4,533,081)	-
Net cash provided by (used for) noncapital financing activities	(996,062)	-	(9,180,808)	(16,341,944)	(26,518,814)	4,760,832
Cash flows from capital and related financing activities						
Transfers from other funds	-	-	-	-	-	2,624,982
Proceeds from capital debt	-	-	-	2,200,908	2,200,908	-
Proceeds from sale of capital assets	-	-	-	7,228	7,228	325,701
Purchase of capital assets	(21,980)	-	-	(437,818)	(459,798)	(5,151,731)
Principal paid on capital debt	-	-	-	(60,664)	(60,664)	(4,638,596)
Interest paid on capital debt	-	-	-	(92,542)	(92,542)	(158,679)
Construction	-	-	-	(102,547)	(102,547)	-
Net cash provided by (used for) capital and related financing activities	(21,980)	-	-	1,514,565	1,492,585	(6,998,323)
Cash flows from investing activities						
Proceeds from sale of investments	246,619,613	-	-	47,633,500	294,253,113	-
Purchase of investments	(296,784,536)	-	-	(56,380,534)	(353,165,070)	-
Interest and dividends received	17,492,542	33,844,972	2,348,770	6,952,684	60,638,968	4,192,268
Net cash provided by (used for) investing activities	(32,672,381)	33,844,972	2,348,770	(1,794,350)	1,727,011	4,192,268
Net increase (decrease) in cash	86,417	116,341,331	(16,536,041)	9,024,352	108,916,059	1,618,825
Cash and cash equivalents, July 1	175,977	660,851,444	52,238,563	36,366,201	749,632,185	124,422,177
Cash and cash equivalents, June 30	\$ 262,394	\$ 777,192,775	\$ 35,702,522	\$ 45,390,553	\$ 858,548,244	\$ 126,041,002



NEVADA

	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)	\$ (9,237,147)	\$ 80,699,875	\$ 20,170,290	\$ 15,405,470	\$ 107,038,488	\$ (199,350)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	11,380	-	6,937	448,806	467,123	5,082,744
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	556,073	-	164,148	-	720,221	-
Interest on bonds payable	37,002,473	-	-	-	37,002,473	-
Decrease (increase) in loans and notes receivable	3,343,704	-	(28,352,486)	90,772	(24,918,010)	-
Decrease (increase) in accrued interest and receivables	(1,766,278)	950,826	(1,593,523)	177,169	(2,231,806)	(4,536,680)
Decrease (increase) in inventory, deferred charges, other assets	-	845,658	(178,587)	92,998	760,069	937,541
Increase (decrease) in accounts payable, accruals, other liabilities	3,866,635	-	79,218	9,430,866	13,376,719	(3,152,588)
Total adjustments	43,013,987	1,796,484	(29,874,293)	10,240,611	25,176,789	(136,602)
Net cash provided by (used for) operating activities	\$ 33,776,840	\$ 82,496,359	\$ (9,704,003)	\$ 25,646,081	\$ 132,215,277	\$ (335,952)
Noncash investing, capital and financing activities						
Property leased or acquired	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,411
Loss on disposal of assets	-	-	-	17,455	17,455	-
Construction completed or in progress	-	-	-	251,991	251,991	(5,928,317)
Interest/dividends on investments accrued	-	-	4,722,000	634,753	5,356,753	1,279,070
Change in fair value of investments	47,869	-	284,912	6,876,335	7,209,116	514,511

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

**Statement of Fiduciary Net Assets
Fiduciary Funds**



NEVADA

June 30, 2007

	Pension Trust Funds	Investment Trust Funds	Private-Purpose Trust Fund - Prisoners' Personal Property	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ -	\$ 375	\$ 4,802,873	\$ 111,379,927
Cash in custody of other officials	404,887,001	-	-	87,232,807
<i>Investments:</i>				
Investments	-	1,073,119,871	-	123,842,754
Fixed income securities	5,681,335,945	-	-	-
Marketable equity securities	11,133,755,709	-	-	-
International securities	4,517,431,493	-	-	-
Mortgage loans	10,698	-	-	-
Real estate	1,075,034,761	-	-	-
Alternative investments	384,721,304	-	-	-
Collateral on loaned securities	3,390,654,058	25,205	-	2,179,123
<i>Receivables:</i>				
Accounts receivable	-	-	600	-
Accrued interest and dividends	93,135,930	7,929,623	-	-
Taxes receivable	-	-	-	14,883,267
Trades pending settlement	302,775,113	-	-	-
Intergovernmental receivables	84,096,156	-	115,231	-
Other receivables	-	-	-	41,639,035
Due from other funds	-	-	206,113	454,192,415
Due from fiduciary funds	20,649,581	-	-	13,343,046
Other assets	1,358,459	-	-	-
Furniture and equipment	28,206,577	-	-	-
Accumulated depreciation	(25,111,542)	-	-	-
Total assets	27,092,941,243	1,081,075,074	5,124,817	848,692,374
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	10,185,208	252,567	79,908	-
Accrued payroll and related liabilities	-	-	-	10,427
Intergovernmental payables	-	2,901,935	5,443	548,822,677
Trades pending settlement	950,288,847	-	-	-
Obligations under securities lending	3,390,654,058	25,205	-	2,179,123
Due to other funds	549	12,301	652,380	25,110
Due to fiduciary funds	-	-	24,453	33,968,174
<i>Other liabilities:</i>				
Deposits	-	-	-	253,921,036
Other liabilities	216,023	-	-	9,765,827
Total liabilities	4,351,344,685	3,192,008	762,184	848,692,374
Net Assets				
<i>Held in trust for:</i>				
Employees' pension benefits	22,741,596,558	-	-	-
Individuals, organizations and other governments	-	1,077,883,066	4,362,633	-
Total net assets	\$ 22,741,596,558	\$ 1,077,883,066	\$ 4,362,633	\$ -

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, 2007

	<u>Pension Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Private-Purpose Trust Fund - Prisoners' Personal Property</u>
Additions			
<i>Contributions:</i>			
Employer	\$ 1,053,239,363	\$ -	\$ -
Plan members	83,259,902	-	-
Participants	-	-	20,313,849
Repayment and purchase of service	45,702,467	-	-
Total contributions	1,182,201,732	-	20,313,849
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	2,314,812,004	2,131,419	-
Interest, dividends	565,494,551	51,881,739	-
Securities lending income	129,784,535	8,917,558	-
Other	81,758,481	-	-
	3,091,849,571	62,930,716	-
Less investment expense:			
Cost of securities lending	(124,285,513)	(8,808,875)	-
Other	(25,543,440)	(850,808)	-
Net investment income	2,942,020,618	53,271,033	-
<i>Other:</i>			
Investment from local governments	-	1,395,263,774	-
Reinvestment from interest income	-	35,331,556	-
Other	3,347,962	-	-
Total other	3,347,962	1,430,595,330	-
Total additions	4,127,570,312	1,483,866,363	20,313,849
Deductions			
Principal redeemed	-	1,266,750,035	-
Benefit payments	931,981,625	-	19,645,340
Refunds	17,455,836	-	-
Contribution distributions	1,960,981	-	-
Dividends to investors	-	36,619,357	-
Administrative expense	8,723,066	158,712	-
Total deductions	960,121,508	1,303,528,104	19,645,340
Change in net assets	3,167,448,804	180,338,259	668,509
Net assets, July 1	19,574,147,754	897,544,807	3,694,124
Net assets, June 30	\$ 22,741,596,558	\$ 1,077,883,066	\$ 4,362,633

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 prescribed by the Governmental Accounting Standards Board (GASB). As required by GAAP, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

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

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

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

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.

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

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

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

The *Colorado River Commission* (CRC) is a legally separate entity responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three appointed by the board of directors of the Southern Nevada Water Authority. Bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides services to citizens through the



(Note 1 Continued)

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

Legislators' Retirement System
Carson City, NV

Judicial Retirement System
Carson City, NV

Nevada System of Higher Education
Reno, NV

Colorado River Commission
Las Vegas, NV

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental



(Note 1 Continued)

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.

GASB Statement No. 20 requires business-type activities and enterprise funds to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements, all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989. As permitted by the Statement, the State has elected not to apply FASB pronouncements issued after that date.

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

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

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

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

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

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

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

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

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

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



(Note 1 Continued)

The *Stabilize the Operations of State Government Fund*, commonly referred to as the “Rainy Day Fund”, accounts for funds appropriated by the Legislature to be expended only if actual revenues for the biennium fall short by 5% or more from anticipated revenues, or the Legislature and Governor declare that a fiscal emergency exists.

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 and prison industry.

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

Fiduciary Fund Types:

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

Investment Trust Funds – report resources received from local governments that are either pooled in an external investment portfolio for the benefit of all participants or separated into subaccounts of identified investments allocated to specific participating local governments. Examples include the Local

Government Investment Pool and the Nevada Enhanced Savings Term.

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

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

D. Assets, Liabilities and Net Assets/Fund Balance

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

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

Investments - Investments are stated at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of 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.



(Note 1 Continued)

The Local Government Investment Pool and Nevada Enhanced Savings Term Investment Trust are investment trust funds as defined in Governmental Accounting Standards Board Statement No. 31. The investments in these funds are subject to the general limitation of section 355.170 of Nevada Revised Statutes. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. Wells Fargo Trust Operations is the custodian and transfer agent for both investment trust funds.

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

Investments are discussed further in Note 3.

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

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

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

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

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

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

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

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

Advances to Other Funds - Long-term interfund advances are recorded by the advancing fund as a receivable and as a reservation of fund balance to maintain the accountability and to disclose properly the amount available for appropriation (unreserved fund balance). Repayments are credited to the receivable and corresponding reductions are made in the reserve. A summary of interfund advances is presented in Note 5.

Capital Assets and Depreciation - An inventory of State-owned land, buildings and equipment was developed in 1985. All capital assets are recorded in the Statement of Net Assets at historical cost or estimated historical cost, based on acquisition of comparable property or agency records, if actual historical cost is not available. Donated capital assets are stated at appraised fair value at the time of donation or estimated fair value at time of donation, based on acquisition of comparable property, if appraised fair value is not available. 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.



(Note 1 Continued)

Infrastructure, such as roads and bridges, was capitalized for the first time in the year ended June 30, 2002. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated principally on a straight-line basis over estimated useful lives of 40 years for structures and 3 to 30 years for improvements, furniture and equipment. However, the State's significant infrastructure assets utilize the modified approach in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for buildings, 15 years for land improvements and 3 to 18 years for library books, machinery and equipment.

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

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

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

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

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

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

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

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

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

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

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

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



(Note 1 Continued)

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

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

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

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

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

E. Intergovernmental Assistance Programs

The State participates in various federal award programs. Federal awards are received by the State in both cash and noncash forms. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

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

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

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. The Legislative Interim Finance Committee (LIFC) must approve revisions of more than \$20,000 that would increase or decrease program expenditures by the lesser of 10% of the level approved by the Legislature or \$50,000. Revisions not exceeding this threshold require only budget director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations

for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Fund, a Special Revenue Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling \$2,907,699 were made in the 2007 fiscal year. Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

Budgets are legally adopted for the General Fund and Special Revenue Funds. However, certain activity within such funds may be unbudgeted. The State’s budget is prepared principally on a modified accrual basis with the following exceptions:

- 1) Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
- 2) Advances to other funds are considered expenditures. Repayments of such advances are considered revenues.
- 3) Certain prepaid/deferred assets are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain deferred revenue is considered revenue for budgetary purposes.
- 4) Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.



(Note 2 Continued)

- 5) Revenue from grants is only recognized when it is received in cash.
- 6) Encumbrances for goods or services not received by fiscal year end are considered an expenditure of the current period if received and paid within 45 days.

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

Note 3 - Deposits and Investments

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

A. Deposits

Primary Government, Pension Trust and Investment Trust Funds - the State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2007, the bank balance of the primary government, pension trust and investment trust funds totaled \$793,392,441, of which \$473,280 was uncollateralized and uninsured.

Component Units - at June 30, 2007, the bank balance of the component units totaled \$191,558,000, of which \$104,154,000 was uncollateralized and uninsured.

B. Investments

Nevada Revised Statute (NRS) chapter 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit; AAA rated asset-backed securities; A-1, P-1 or better rated bankers' acceptances and commercial paper; AAA rated collateralized mortgage obligations; A or better rated corporate notes; AAA rated registered money market mutual funds whose policies meet the criteria set forth in the statute; United States treasury securities; and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes

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

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

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

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

Primary Government, Pension Trust and Investment Trust Funds - The State does not have a written interest rate risk policy. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension trust funds authorize all securities within the Lehman Aggregate Index benchmark. If securities are purchased outside the Lehman Aggregate Index, they must be of investment grade rating by at least two of Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). The following table provides information about the interest rate risks associated with the State's investments (expressed in thousands):

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007



NEVADA

(Note 3 Continued)

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	\$ 1,887,194	\$ 245,366	\$ 355,144	\$ 355,735	\$ 930,949
Negotiable certificates of deposit	159,986	159,986	-	-	-
U. S. agencies	3,056,651	2,225,804	601,931	29,849	199,067
Mutual funds	153,965	153,965	-	-	-
Repurchase agreements	65,146	65,146	-	-	-
Asset backed corporate securities	1,424,582	8,401	141,859	32,297	1,242,025
Corporate bonds and notes	1,345,985	50,258	501,945	257,350	536,432
Commercial paper	184,092	184,092	-	-	-
Fixed income securities	727,752	5,000	17,300	6,200	699,252
International investments	2,257,707	146,700	1,045,322	524,468	541,217
Municipal bonds	847,728	230,255	11,017	29,998	576,458
Investment agreements	36,134	8,845	-	-	27,289
Other short-term investments	135,978	135,978	-	-	-
Collateralized mortgage obligations	366,229	-	11,855	31,881	322,493
Total	\$ 12,649,129	\$ 3,619,796	\$ 2,686,373	\$ 1,267,778	\$ 5,075,182

Component Units – The Nevada System of Higher Education’s (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds. The following table provides the segmented time distribution for these investments at June 30, 2007 (expressed in thousands):

Less than 1 year	\$ 74,093
1 to 5 years	41,483
6 to 10 years	11,675
More than 10 years	16,558

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

Primary Government, Pension Trust and Investment Trust Funds - Nevada Revised Statute 355.140, the State Treasurer’s investment policy, and investment policies of the pension trust and investment trust funds all address credit risk. The State’s investments as of June 30, 2007 were rated by Standard and Poor’s and/or equivalent national rating organization, and the ratings are presented below using the Standard and Poor’s rating scale (expressed in thousands):

	Fair Value	Quality Rating					Unrated
		AAA	AA	A	BBB	BB	
Negotiable certificates of deposit	\$ 159,986	\$ -	\$ -	\$ 159,986	\$ -	\$ -	\$ -
U.S. agencies	3,056,650	1,948,974	-	1,067,778	-	-	39,898
Mutual funds	153,966	149,742	-	-	-	-	4,224
Repurchase agreements	65,146	65,146	-	-	-	-	-
Asset backed corporate securities	456,581	435,481	-	-	300	-	20,800
Corporate bonds and notes	1,345,829	427,891	205,660	360,978	332,100	400	18,800
Commercial paper	184,092	-	-	184,092	-	-	-
Fixed income securities	727,752	16,900	5,600	9,200	5,200	-	690,852
International investments	2,257,707	1,053,664	835,227	289,316	75,500	-	4,000
Municipal bonds	847,728	-	847,728	-	-	-	-
Investment agreements	36,134	4,245	31,889	-	-	-	-
Other short-term investments	134,929	134,929	-	-	-	-	-
Collateralized mortgage obligations	251,329	242,829	2,600	300	-	-	5,600
Total	\$ 9,677,829	\$ 4,479,801	\$ 1,928,704	\$ 2,071,650	\$ 413,100	\$ 400	\$ 784,174

Quality ratings for the Public Employees’ Retirement System (PERS) U.S agency investments of \$1,938.7 million have been assigned by PERS’ custodial bank, The Bank of New York Mellon, and are not included in the table above.

Component Unit - the Nevada System of Higher Education’s (NSHE) policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the



(Note 3 Continued)

endowment and operating pools. With regard to the trusts included in endowment investments, NSHE is not the trustee of these investments and therefore, it currently has no policies with regard to credit risk for these investments. The credit risk profile for NSHE operating and endowment investments at June 30, 2007 is as follows (expressed in thousands):

	Fair Value	Quality Rating			Unrated
		AAA	AA	A	
Corporate bonds	\$ 982	\$ 106	\$ 506	\$ 370	\$ -
Commingled U.S. bond funds	59,103	-	-	-	59,103
Commingled non U.S. bond funds	47,091	-	-	-	47,091
Commingled money market bond funds	21,409	-	-	-	21,409
Total	\$ 128,585	\$ 106	\$ 506	\$ 370	\$ 127,603

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Nevada Revised Statutes 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio. At June 30, 2007, the following investments exceeded 5% of the Local Government Investment Pool's total investments (expressed in thousands):

	Fair Value	Percentage
Federal Farm Credit Bank	\$ 214,542	30.38%
Federal Home Loan Bank	225,161	31.88%
Repurchase Agreement	65,146	9.22%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative providers. As of June 30, 2007, the Housing Division's investments in Fannie Mae and Ginnie Mae are 25.30% and 27.47% 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 and Pension Trust Funds - the primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any deposits or investments in foreign currency. The Public Employees' Retirement System of Nevada, the Legislators' Retirement System of Nevada and the Judicial Retirement System of Nevada do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. The following table summarizes the pension trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2007 (expressed in thousands):

	Currency by Investment and Fair Value			
	Fixed Income	Equity	Derivatives	Cash
Australian Dollar	\$ 22,019	\$ 150,300	\$ (13,600)	\$ 902
British Pound Sterling	170,022	509,000	(60,600)	2,904
Canadian Dollar	48,805	4,600	(11,100)	102
Danish Krone	12,437	21,300	3,100	1,805
Euro Currency	1,096,841	785,600	(66,700)	4,820
Hong Kong Dollar	-	42,000	-	100
Japanese Yen	704,949	489,900	35,400	1,302
Malaysian ringgit	3,600	-	-	-
Netherlands guilder	-	600	-	-
New Zealand Dollar	-	3,500	-	200
Norwegian Krone	1,708	24,900	-	1,008
Polish Zloty	29,144	-	(4,500)	498
Singapore Dollar	1,507	23,700	6,100	1,711
Swedish Krona	19,838	51,400	30,500	701
Swiss Franc	6,637	158,000	56,600	(1,206)
Total	\$ 2,117,507	\$ 2,264,800	\$ (24,800)	\$ 14,847



(Note 3 Continued)

Component Unit - the Nevada System of Higher Education had \$108,239,000 of investments in international mutual funds subject to foreign currency risk in its operating and endowment investment pools. The U.S. dollar balances of international mutual funds organized by the respective foreign currencies are as follows in U.S. dollars (expressed in thousands):

Currency by Investment and Fair Value	
	Mutual Funds
Australian Dollar	\$ 2,437
Brazilian Real	1,960
Canadian Dollar	4,875
Chinese Renminbi	1,737
Euro Currency	55,873
Hong Kong Dollar	1,011
Japanese Yen	17,242
South Korean Won	4,847
Swiss Franc	4,243
Taiwan New Dollar	2,520
Other	11,494
Total	\$ 108,239

C. Securities Lending

Primary Government and Investment Trust Funds - NRS 355.135 authorizes the State Treasurer to participate in securities lending transactions where the State's U.S. Government and agency securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year-end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis.

At year-end, the State has no credit risk exposure to borrowers because the amount the State owes to borrowers exceeds the amounts the borrowers owe to the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. The contract with the securities lending agent requires the agent to indemnify the State for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

There are no restrictions on the amount of securities that can be loaned. Either the State or the borrower can terminate all open securities loans on demand. Either the State or the borrower

can terminate all term securities loans with five days notice. Cash collateral is invested in accordance with the investment guidelines approved by the Board of Finance. The maturities of the investments made with cash collateral generally match the maturities of the securities loans.

The fair value of securities on loan at June 30, 2007 (excluding PERS) is \$1,320,086,582. The fair value of cash collateral received in securities lending arrangements (excluding PERS) of \$1,341,458,046 is reported in the Statement of Net Assets and the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2007 total collateral (excluding PERS) has a fair value of \$1,346,143,439. Such collateral consists of cash, commercial paper, asset backed securities, money market mutual funds, certificates of deposit and fixed income securities. The total collateral received is in excess of the fair value of the investments held by brokers/dealers under the securities lending agreement.

Pension Trust Fund - PERS also maintains a securities lending program under the authority of the "prudent person" standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income and equity securities and international fixed income and equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. Collateral received must equal at least 102% of the market value of the underlying security, plus accrued interest.



(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 securities on loan at June 30, 2007 is \$3,307,174,621. The fair value of the cash collateral received in securities lending arrangements of \$3,390,654,058 is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2007, PERS has collateral consisting of cash and securities issued by the U. S. Government, its agencies or instrumentalities, in excess of the market value of investments held by brokers/dealers under a securities lending agreement.

D. Derivatives

Public Employees' Retirement System (PERS) - derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates, and are reported at fair value. The Retirement Board adopted a formal written policy on the use of derivatives. The type of derivatives and limits on their use are defined in PERS Investment Objectives and Policies. PERS Investment Objectives and Policies restrict the use of certain types of derivatives. The use of exotic, highly structured notes such as inverse floaters, constant maturity treasury (CMT) floaters, range floaters, dual index floaters, and other speculative instruments tied to inappropriate reset provisions is specifically prohibited. PERS derivatives transactions are designed to reduce transaction costs, reduce foreign exchange risk, and manage market risk associated with the underlying securities. They may also reduce PERS exposure to changes in stock prices, interest rates, and currency exchange rates.

The principal categories of derivatives employed and their uses during the year were as follows:

Foreign exchange forward contracts – used to hedge currency risk of investments in foreign currencies.

Exchange traded fixed income futures and options - used to reduce transaction costs, control portfolio duration, and enhance return.

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

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

Generally, derivatives are subject to market risk and counterparty risk. The derivatives utilized by PERS typically have no greater market risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the "other party" to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

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

Management believes that it is unlikely that any of the derivatives in PERS portfolio could have a material adverse effect on the financial condition of PERS. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolio.



Note 4 - Receivables

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

	<u>Governmental Funds</u>	<u>Nevada System of Higher Education</u>
As shown on financial statements:		
Intergovernmental receivables	\$ 401,266	\$ 37,511
Notes/loans receivable	587	11,432
Due from Component Unit	8,837	-
Total	<u>\$ 410,690</u>	<u>\$ 48,943</u>
Classified:		
Current portion	<u>\$ 256,219</u>	<u>\$ 40,026</u>
Noncurrent portion:		
Intergovernmental receivables	147,400	-
Notes/loans receivable	511	8,917
Due from Component Unit	6,560	-
Total noncurrent portion	<u>154,471</u>	<u>8,917</u>
Total	<u>\$ 410,690</u>	<u>\$ 48,943</u>

Not included in the receivable balances are amounts considered to be uncollectible. \$8 million of taxes receivable in the governmental funds are estimated to be uncollectible. Uncollectible accounts receivable in the governmental funds total \$29 million. The proprietary funds have \$10.7 million in uncollectible accounts receivable most of which is from uninsured employer's fines and penalties.

Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2007, follows (expressed in thousands):

	<u>Advances From</u>			<u>Total</u>
	<u>Major Funds</u>			
	<u>General</u>	<u>State Highway</u>	<u>Consolidated Bond Interest and Redemption</u>	
Advances To				
Nonmajor enterprise	\$ 1,213	\$ -	\$ -	\$ 1,213
Internal service	7,805	4	1,958	9,767
Total other funds	<u>\$ 9,018</u>	<u>\$ 4</u>	<u>\$ 1,958</u>	<u>\$ 10,980</u>

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.



(Note 5 Continued)

B. Due From/Due To Other Funds and Component Units

A summary of due from and due to other funds and component units at June 30, 2007, is shown below (expressed in thousands):

	Due To						Total Governmental
	Major Governmental Funds					Nonmajor Governmental	
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Stabilize the Operations of State Gov't		
Due From							
Major Governmental Funds:							
General	\$ -	\$ 10,408	\$ 47	\$ 2,579	\$ 3,014	\$ 179,778	\$ 195,826
State Highway	568	-	-	-	-	985	1,553
Municipal Bond Bank	63	-	-	386	-	-	449
Consolidated Bond Interest and Redemption	-	-	-	-	-	7	7
Nonmajor governmental	18,479	101	-	6,930	-	9,516	35,026
Total Governmental	19,110	10,509	47	9,895	3,014	190,286	232,861
Major Enterprise Funds:							
Housing Division	3	-	-	-	-	-	3
Water Projects Loans	695	-	-	-	-	-	695
Nonmajor enterprise	4,177	5	-	-	-	5	4,187
Total Enterprise	4,875	5	-	-	-	5	4,885
Internal Service	3,626	202	-	151	-	78	4,057
Total other funds	\$ 27,611	\$ 10,716	\$ 47	\$ 10,046	\$ 3,014	\$ 190,369	\$ 241,803
Fiduciary	\$ 219	\$ -	\$ -	\$ -	\$ -	\$ 421	\$ 640
Component Units:							
Nevada System of Higher Education	\$ 1,886	\$ -	\$ -	\$ 6,930	\$ -	\$ 21	\$ 8,837
Colorado River Commission	-	-	-	-	-	-	-
Total Component Units	\$ 1,886	\$ -	\$ -	\$ 6,930	\$ -	\$ 21	\$ 8,837

	Due To						Fiduciary
	Major Enterprise Funds			Total Enterprise	Internal Service	Total Other Funds	
	Housing Division	Water Projects Loans	Nonmajor Enterprise				
Due From							
Major Governmental Funds:							
General	\$ 5	\$ 683	\$ 1,503	\$ 2,191	\$ 8,831	\$ 206,848	\$ 453,391
State Highway	-	-	9	9	554	2,116	916
Municipal Bond Bank	-	-	-	-	-	449	-
Consolidated Bond Interest and Redemption	-	-	-	-	-	7	-
Nonmajor governmental	-	-	31	31	414	35,471	21
Total Governmental	5	683	1,543	2,231	9,799	244,891	454,328
Major Enterprise Funds:							
Housing Division	-	-	-	-	6	9	-
Water Projects Loans	-	-	-	-	-	695	-
Nonmajor enterprise	-	-	-	-	65	4,252	64
Total Enterprise	-	-	-	-	71	4,956	64
Internal Service	-	-	1	1	146	4,204	7
Total other funds	\$ 5	\$ 683	\$ 1,544	\$ 2,232	\$ 10,016	\$ 254,051	\$ 454,399
Fiduciary	\$ -	\$ -	\$ 50	\$ 50	\$ -	\$ 690	\$ 33,993
Component Units:							
Nevada System of Higher Education	\$ -	\$ -	\$ -	\$ -	\$ 7,241	\$ 16,078	\$ -
Colorado River Commission	-	-	-	-	3	3	-
Total Component Units	\$ -	\$ -	\$ -	\$ -	\$ 7,244	\$ 16,081	\$ -



(Note 5 Continued)

	Due To		
	Component Units		
	Nevada System of Higher Education	Colorado River Commission	Total Component Units
Due From			
Major Governmental Funds:			
General	\$ 60,303	\$ 359	\$ 60,662
State Highway	225	-	225
Consolidated Bond Interest and Redemption	276	-	276
Nonmajor governmental	173,455	-	173,455
Total Governmental	234,259	359	234,618
Nonmajor enterprise	153	-	153
Internal Service	31	-	31
Total other funds	\$ 234,443	\$ 359	\$ 234,802

The balances result from timing differences between the date goods and services are provided or reimbursable expenses occur, and the date the transactions are recorded in the accounting system and payment is made.

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2007, is shown below (expressed in thousands):

	Transfers Out/To						
	Major Governmental Funds						
	General	State Highway	Municipal Bond Bank	Cons Bond Interest and Redemption	Stabilize the Operations of State Gov't	Nonmajor Governmental	Total Governmental
Transfers In/From							
Major Governmental Funds:							
General	\$ -	\$ 29,746	\$ 99	\$ -	\$ 2,936	\$ 39,807	\$ 72,588
State Highway	269	-	-	-	-	437	706
Consolidated Bond Interest and Redemption	1,971	-	256,356	-	-	9,849	268,176
Stabilize the Operations of State Government	37,618	-	-	-	-	-	37,618
Nonmajor governmental	183,996	3,403	-	31	-	663	188,093
Total Governmental	223,854	33,149	256,455	31	2,936	50,756	567,181
Nonmajor enterprise	954	-	-	-	-	125	1,079
Internal Service	9,832	133	-	-	-	1,745	11,710
Total other funds	\$ 234,640	\$ 33,282	\$ 256,455	\$ 31	\$ 2,936	\$ 52,626	\$ 579,970



(Note 5 Continued)

	Transfers Out/To				
	Major Enterprise Funds		Total Enterprise	Internal Service	Total Other Funds
	Water Projects	Nonmajor Enterprise			
	Loans				
Transfers In/From					
Major Governmental Funds:					
General	\$ 666	\$ 19,105	\$ 19,771	\$ 99	\$ 92,458
State Highway	-	-	-	3	709
Consolidated Bond Interest and Redemption	-	-	-	-	268,176
Stabilize the Operations of State Government	-	-	-	-	37,618
Nonmajor governmental	-	48	48	35	188,176
Total Governmental	666	19,153	19,819	137	587,137
Nonmajor enterprise	-	-	-	-	1,079
Internal Service	-	-	-	-	11,710
Total other funds	\$ 666	\$ 19,153	\$ 19,819	\$ 137	\$ 599,926

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment. An exception was a transfer from the General Fund to the Stabilize the Operations of State Government ("Rainy Day") fund of \$34 million. The Nevada Legislature approved this transfer.

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 \$595 million are reported as education and support service expenses in the Statement of Activities and as intergovernmental expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. A corresponding amount is reported as general revenue of NSHE in the Statement of Activities.

Note 6 - Restricted Assets

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Assets. The components of restricted assets at June 30, 2007 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	\$ -	\$ -	\$ 40,228
Investments	129,087	129,087	13,758
Total	\$ 129,087	\$ 129,087	\$ 53,986
Restricted for:			
Debt service	\$ 129,087	\$ 129,087	\$ 718
Construction	-	-	48,982
Other purposes	-	-	4,286
Total	\$ 129,087	\$ 129,087	\$ 53,986



Note 7- Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2007, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 111,616	\$ 546	\$ -	\$ 112,162
Construction in progress	166,874	105,560	(137,507)	134,927
Infrastructure	2,989,274	65,221	-	3,054,495
Rights-of-way	454,669	58,077	(136)	512,610
Total capital assets, not being depreciated	<u>3,722,433</u>	<u>229,404</u>	<u>(137,643)</u>	<u>3,814,194</u>
<i>Capital assets, being depreciated/amortized</i>				
Buildings	1,041,083	97,943	-	1,139,026
Improvements other than buildings	89,553	2,361	-	91,914
Furniture and equipment	378,544	38,899	(32,143)	385,300
Software costs	117,046	21,535	-	138,581
Total capital assets, being depreciated/amortized	<u>1,626,226</u>	<u>160,738</u>	<u>(32,143)</u>	<u>1,754,821</u>
<i>Less accumulated depreciation/amortization for:</i>				
Buildings	(281,817)	(25,786)	-	(307,603)
Improvements other than buildings	(46,839)	(3,907)	-	(50,746)
Furniture and equipment	(282,325)	(29,189)	30,732	(280,782)
Software costs	(67,866)	(18,281)	-	(86,147)
Total accumulated depreciation/amortization	<u>(678,847)</u>	<u>(77,163)</u>	<u>30,732</u>	<u>(725,278)</u>
Total capital assets, being depreciated/amortized, net	<u>947,379</u>	<u>83,575</u>	<u>(1,411)</u>	<u>1,029,543</u>
Governmental activities capital assets, net	<u>\$ 4,669,812</u>	<u>\$ 312,979</u>	<u>\$ (139,054)</u>	<u>\$ 4,843,737</u>
Business-type activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	-	362	-	362
Total capital assets, not being depreciated	<u>568</u>	<u>362</u>	<u>-</u>	<u>930</u>
<i>Capital assets, being depreciated</i>				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	4,804	460	(255)	5,009
Total capital assets, being depreciated	<u>8,824</u>	<u>460</u>	<u>(255)</u>	<u>9,029</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(2,002)	(103)	-	(2,105)
Improvements other than buildings	(502)	(32)	-	(534)
Furniture and equipment	(4,064)	(332)	238	(4,158)
Total accumulated depreciation	<u>(6,568)</u>	<u>(467)</u>	<u>238</u>	<u>(6,797)</u>
Total capital assets, being depreciated, net	<u>2,256</u>	<u>(7)</u>	<u>(17)</u>	<u>2,232</u>
Business-type activities capital assets, net	<u>\$ 2,824</u>	<u>\$ 355</u>	<u>\$ (17)</u>	<u>\$ 3,162</u>



(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		\$	13,174
Education, support services			1,552
Health, social services			12,110
Law, justice, public safety			23,002
Recreation, resource development			5,281
Transportation			13,472
Regulation of business			1,237
Unallocated			720
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			6,615
Total depreciation/amortization expense - governmental activities		\$	77,163
Business-type activities:			
Enterprise		\$	467
Total depreciation expense - business-type activities		\$	467

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2007, 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	\$ 136,581	\$ 261,164	\$ (52,098)	\$ 345,647
Land	60,221	4,380	-	64,601
Collections	8,723	115	(42)	8,796
Total capital assets, not being depreciated	<u>205,525</u>	<u>265,659</u>	<u>(52,140)</u>	<u>419,044</u>
Capital assets, being depreciated				
Buildings	1,370,791	66,764	(5,054)	1,432,501
Land and improvements	80,187	1,984	-	82,171
Machinery and equipment	264,228	29,753	(12,661)	281,320
Library books and media	96,801	6,803	(999)	102,605
Total capital assets, being depreciated	<u>1,812,007</u>	<u>105,304</u>	<u>(18,714)</u>	<u>1,898,597</u>
Less accumulated depreciation for:				
Buildings	(384,371)	(35,208)	4,770	(414,809)
Land and improvements	(59,384)	(3,941)	-	(63,325)
Machinery and equipment	(155,088)	(25,854)	10,695	(170,247)
Library books and media	(81,829)	(6,775)	993	(87,611)
Total accumulated depreciation	<u>(680,672)</u>	<u>(71,778)</u>	<u>16,458</u>	<u>(735,992)</u>
Total capital assets, being depreciated, net	<u>1,131,335</u>	<u>33,526</u>	<u>(2,256)</u>	<u>1,162,605</u>
Nevada System of Higher Education activity capital assets, net	<u>\$ 1,336,860</u>	<u>\$ 299,185</u>	<u>\$ (54,396)</u>	<u>\$ 1,581,649</u>



Note 8 - Long-Term Obligations

A. Bonds Payable

The State issues general obligation bonds for the acquisition and construction of major capital facilities, buying local governments' bonds in the municipal bond bank fund, protection of natural resources, cultural affairs projects 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, 2007 are comprised of the following (expressed in thousands):

	Fixed Interest Rates	Original Amount	Principal Outstanding
Governmental activities:			
<i>General obligation bonds:</i>			
Subject to Constitutional Debt Limitation	2.0-7.0%	\$ 1,489,450	\$ 990,630
Exempt from Constitutional Debt Limitation	1.6-7.0%	1,631,366	973,986
<i>Special obligation bonds:</i>			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.5-6.0%	833,955	693,285
Subtotal		3,954,771	2,657,901
<i>Issuance premiums</i>		113,667	91,543
Governmental activities bonds payable		4,068,438	2,749,444
Business-type activities:			
<i>General obligation bonds:</i>			
Exempt from Constitutional Debt Limitation	2.0-6.5%	139,835	117,310
<i>Special obligation bonds:</i>			
Housing Bonds	2.6-8.02%	1,424,502	782,307
Subtotal		1,564,337	899,617
<i>Issuance premiums</i>		2,889	2,221
Business-type activities bonds payable		1,567,226	901,838
Total bonds payable		\$ 5,635,664	\$ 3,651,282

B. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2007 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,075,758	\$ 313,883	\$ (425,025)	\$ 1,964,616	\$ 114,441
Special obligation bonds	541,680	192,730	(41,125)	693,285	48,955
Subtotal	2,617,438	506,613	(466,150)	2,657,901	163,396
Issuance premiums	81,601	17,635	(7,693)	91,543	8,009
Total bonds payable	2,699,039	524,248	(473,843)	2,749,444	171,405
Obligations under capital leases	9,866	8,670	(2,581)	15,955	1,837
Compensated absences obligations	92,054	122,167	(116,316)	97,905	65,700
Arbitrage rebate liability	-	999	-	999	-
Certificates of participation	55,680	5,760	(985)	60,455	1,135
Governmental activities long-term obligations	\$ 2,856,639	\$ 661,844	\$ (593,725)	\$ 2,924,758	\$ 240,077
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 118,540	\$ 5,505	\$ (6,735)	\$ 117,310	\$ 6,950
Special obligation bonds	745,780	87,530	(51,003)	782,307	12,557
Subtotal	864,320	93,035	(57,738)	899,617	19,507
Issuance premiums	2,242	132	(153)	2,221	156
Total bonds payable	866,562	93,167	(57,891)	901,838	19,663
Compensated absences obligations	1,564	1,851	(1,854)	1,561	1,005
Arbitrage rebate liability	-	30	-	30	-
Tuition benefits payable	107,958	10,591	(2,631)	115,918	5,901
Business-type activities long-term obligations	\$ 976,084	\$ 105,639	\$ (62,376)	\$ 1,019,347	\$ 26,569



(Note 8 Continued)

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

C. Debt Service Requirements for Bonds

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2007, 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
2008	\$ 163,396	\$ 127,803	\$ 19,507	\$ 43,377
2009	185,680	119,741	21,837	42,522
2010	186,345	110,764	17,168	41,476
2011	202,935	101,473	17,916	40,626
2012	172,620	91,557	20,074	38,578
2013-2017	790,465	331,419	104,535	183,081
2018-2022	593,165	157,130	143,912	151,359
2023-2027	335,675	44,715	178,397	109,737
2028-2032	24,490	2,336	132,701	70,388
2033-2037	3,130	401	181,900	32,636
2038-2042	-	-	61,670	2,808
Total	\$ 2,657,901	\$ 1,087,339	\$ 899,617	\$ 756,588

Debt service requirements for all capital leases and installment purchases are presented in Section I of this note. No debt service requirements are presented for compensated absences obligations since the repayment dates are unknown.

D. Constitutional Debt Limitations

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2007, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 2,756,849
Less: Bonds and leases payable as of June 30, 2007, subject to limitation	(1,015,375)
Remaining debt capacity	<u>\$ 1,741,474</u>

E. Nevada Municipal Bond Bank

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized

by NRS 350A. These bonds are subject to statutory limitation of \$1.8 billion and are exempt from the Constitutional Debt Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State's local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Thirty projects were funded through the Nevada Municipal Bond Bank as of June 30, 2007, and total investments in local governments amounted to \$617,320,000.

F. Refunded Debt and Redemptions

On July 18, 2006 the State issued General Obligation (Limited Tax) (Revenue Supported) Water Refunding Bonds, Series 2006D. Series 2006D was issued to advance refund \$113,820,000 of the General Obligation (Limited Tax) (Revenue supported) Refunding Bonds, Series December 1995.

On November 29, 2006 the State issued General Obligation (Limited Tax) Natural Resources and Refunding Bonds Series 2006F. Series 2006F was issued to advance refund \$405,000 of the General Obligation (Limited Tax) Natural Resources Bonds, Series November 15, 1996B Bonds and \$6,305,000 of the General Obligation (Limited Tax) Natural Resources Bonds, Series June 1, 1997C Bonds.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2007



NEVADA

(Note 8 Continued)

The reacquisition price exceeded the carrying amount of the old debt by \$1,499,517. 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 State completed the refunding to decrease its total debt service payments by \$7,871,965 and to obtain an economic gain or present value gain of \$5,461,225.

In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The total outstanding amount of defeased issues at June 30, 2007 is \$606,520,000.

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

At June 30, 2007, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is \$141,634,169. At June 30, 2007, the amount available to service debt in the Highway Revenue Bonds debt service fund is \$31,384,547. At June 30, 2007, the amount available to service the debt in the Municipal Bond Bank special revenue fund is \$617,430,193.

The amount to be provided by other governments of \$149,930,000 is due from the Southern Nevada Water Authority (SNWA). Until January 1, 1996 the Colorado River Commission (CRC), a component unit responsible for managing Nevada's interest in the water and power resources available from the Colorado River, operated the Southern Nevada Water System (SNWS). In accordance with Chapter 393 of the 1995 Legislature, certain rights, powers, duties and liabilities of SNWS were transferred from the State and CRC to the SNWA effective January 1, 1996. These rights, powers, duties and liabilities included, but were not limited to, the State of Nevada general obligation bonds, the existing water user contracts, the Service Contract between CRC and the Las Vegas Valley Water District, and all other contracts related to the SNWS including contracts for capital improvement. Accordingly, the State records the general obligation bonds previously reported in CRC and an associated amount to be provided by other governments in the government-wide financial statements.

H. Bond Indenture Provisions

There are restrictions and limitations contained in the various bond indentures. The State is in compliance with the requirements of the bond covenants.

I. Capital Leases

The State has entered into various agreements for the lease of equipment. Assets of the primary government acquired under such leases at June 30, 2007, have a historical cost of \$9,585,000 with accumulated depreciation of \$7,759,000. Construction in progress included lease agreements that totaled \$8,479,000.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the net minimum lease payments as of June 30, 2007 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2008	\$ 2,526
2009	1,925
2010	1,684
2011	1,636
2012	1,241
2013-2017	6,254
2018-2022	5,528
Total minimum lease payments	20,794
Less: amount representing interest	(4,839)
Obligations under capital leases	\$ 15,955

J. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2007, and changes for the fiscal year then ended is presented in Section B of this note.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2007



NEVADA

(Note 8 Continued)

K. Tuition Benefits Payable

The Higher Education Tuition Trust Fund, an enterprise fund, reports benefits payable as shown in section B 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	\$115,917,000
Net assets available	\$121,210,752
Net assets as a percentage of tuition benefits obligation	104.60%

The actuarial valuation used an investment yield assumption of 7.50% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
Fall 2008	10.92%	4.60%
Fall 2009	6.00%	4.00%
Fall 2010 and later	6.00%	4.00%

L. Certificates of Participation

In fiscal year 1999, the Nevada Real Property Corporation, a blended component unit, issued \$15,000,000 of general obligation certificates of participation at 4.1-5.0% interest to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility. Under the certificates of participation financing arrangements, the State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

In fiscal year 2004, the Nevada Real Property Corporation issued \$21,550,000 of Lease Revenue Certificates of Participation at 4.0-5.0% interest to finance the construction of an office building in Carson City (near the State capitol buildings). In fiscal year 2005, the Nevada Real Property Corporation issued \$22,435,000 of Lease Revenue Certificates of Participation at 3.0-5.0% interest to finance the acquisition of a site for and the construction of a new correctional facility in Las Vegas. 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, 2007 (expressed in thousands):

Year Ending June 30	Principal	Interest
2008	\$ 1,135	\$ 2,746
2009	1,290	2,700
2010	1,370	2,647
2011	1,500	2,591
2012	1,630	2,526
2013-2017	10,575	11,432
2018-2022	10,025	9,161
2023-2027	13,910	6,752
2028-2032	19,020	2,900
Total	\$ 60,455	\$ 43,455

M. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2007, there are eighteen series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$890,348,433.

N. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2007, and the changes for the year then ended, consist of the following (expressed in thousands):

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007



NEVADA

(Note 8 Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 475,043	\$ 45,840	\$ (48,735)	\$ 472,148	\$ 15,745
Issuance premiums	12,527	-	(470)	12,057	470
Total bonds payable	487,570	45,840	(49,205)	484,205	16,215
Obligations under capital leases	15,475	193	(3,185)	12,483	2,666
Compensated absences obligations	39,247	29,254	(26,929)	41,572	28,906
Total	\$ 542,292	\$ 75,287	\$ (79,319)	538,260	47,787
Discretely presented component units of the NSHE:					
Bonds and notes payable				1,462	170
Capital leases				262	262
Total				\$ 539,984	\$ 48,219

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

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2007 (expressed in thousands):

Year Ending June 30	Principal	Interest
2008	\$ 16,215	\$ 21,102
2009	16,427	20,887
2010	17,304	20,206
2011	18,779	18,805
2012	18,148	18,111
2013-2017	94,973	78,820
2018-2022	89,010	58,571
2023-2027	78,530	39,629
2028-2032	80,478	21,828
2033-2037	54,341	4,230
Total	\$ 484,205	\$ 302,189

Future net minimum rental payments which are required under the capital leases by NSHE for the years ending June 30 are as follows (expressed in thousands):

Year Ending June 30	Amount
2008	\$ 3,213
2009	3,193
2010	2,112
2011	1,841
2012	966
2013-2017	2,910
Total minimum lease payments	14,235
Less: amount representing interest	(1,752)
Obligations under capital leases	\$ 12,483

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2007, and the changes for the year then ended, consist of the following (expressed in thousands):



(Note 8 Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 112,585	\$ -	\$ (1,620)	\$ 110,965	\$ 1,705
Issuance premiums	3,645	-	(247)	3,398	247
Issuance discounts	(40)	-	20	(20)	(20)
Unamortized refunding charges	(5,839)	-	348	(5,491)	(348)
Total bonds payable	110,351	-	(1,499)	108,852	1,584
Compensated absences obligations	282	160	(188)	254	235
Total	\$ 110,633	\$ 160	\$ (1,687)	\$ 109,106	\$ 1,819

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

Year Ending June 30	Principal	Interest
2008	\$ 1,705	\$ 5,579
2009	5,200	5,380
2010	5,490	5,091
2011	5,770	4,792
2012	6,065	4,482
2013-2017	35,580	17,153
2018-2022	23,015	8,879
2023-2027	20,970	4,284
2028-2032	7,170	318
Total	\$ 110,965	\$ 55,958

Note 9 - Pensions and Other Employee Benefits

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

A. PERS

Plan Description - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost-sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. Any government employer in the State may elect to have its regular, police and fire department employees covered by PERS.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and death benefits. Monthly benefit allowances for regular

members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned after July 1, 2001, this multiplier is 2.67% of average compensation. Regular members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service. Police and firemen are eligible for retirement at age 65 with 5 years of accredited police or fire service, at age 55 with 10 years of accredited police or fire service, at age 50 with 20 years of accredited police or fire service, or at any age with 25 years of accredited service. A member who retired on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Regular members and police and firemen become fully vested as to benefits upon completion of 5 years of service.

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



(Note 9 Continued)

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, both for funding purposes and GASB disclosure purposes, contributions actually made are in accordance with the required rates established by the Legislature. These statutory rates are increased or decreased pursuant to NRS 286.421 and 286.450.

Actuarially required and statutory employer contribution rates, as a percentage of covered payroll, for regular and police and fire members in effect for the fiscal year ended June 30, 2007, were as follows:

	<u>Funding Basis *</u>	<u>Statutory Rate</u>
Regular employees:		
Employer-pay plan	20.44%	19.75%
Employee/employer plan (matching rate)	10.67%	10.50%
Police and Fire employees:		
Employer-pay plan	33.55%	32.00%
Employee/employer plan (matching rate)	17.22%	16.50%
* Based on June 30, 2006 Actuarial Valuation		

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

	2007			2006			2005		
	Total State			Total State			Total State		
	Employees' Contribution	Employers' Contribution	Contribution Requirement	Employees' Contribution	Employers' Contribution	Contribution Requirement	Employees' Contribution	Employers' Contribution	Contribution Requirement
Primary Government	\$ 59,853	\$ 136,270	\$ 196,123	\$ 55,635	\$ 128,981	\$ 184,616	\$ 48,267	\$ 113,090	\$ 161,357
Component Units:									
Colorado River Commission	89	403	492	131	369	500	146	331	477
Nevada System of Higher Education	10,931	24,988	35,919	9,872	23,114	32,986	9,002	21,884	30,886
Total component units	11,020	25,391	36,411	10,003	23,483	33,486	9,148	22,215	31,363
Total reporting entity	\$ 70,873	\$ 161,661	\$ 232,534	\$ 65,638	\$ 152,464	\$ 218,102	\$ 57,415	\$ 135,305	\$ 192,720
Contributions as % of covered payroll	7%	15%	22%	7%	15%	22%	7%	15%	22%
Contributions as % of total contributions of all participating entities of \$1,175,481, \$1,084,314, and \$1,006,138	6%	14%	20%	6%	14%	20%	6%	13%	19%

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

Calendar Year	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2005	\$ 928,649	\$ 928,649	100%	\$ -
2006	1,055,106	1,012,902	96%	42,204
2007	1,092,261	1,048,571	96%	43,690



(Note 9 Continued)

Required Supplementary Information - Schedules of funding progress and employer contributions are presented in the PERS June 30, 2007, comprehensive annual financial report. PERS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

B. LRS

Plan Description - All State Legislators are members in the Legislators' Retirement System (LRS), a defined benefit, single-employer public employees' retirement system established in 1967 by the Nevada Legislature. LRS is legislated by and functions in accordance with State laws established by the Nevada Legislature. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefit payments to which participants may be entitled under the plan include pension benefits and death benefits. Monthly benefit allowances are \$25 for each year of service up to thirty years. Contributions and investment earnings provide benefits under the system. Legislators become fully vested as to benefits at age 60 with 8 years of service before July 1, 1985, or at age 60 with 10 years of service after July 1, 1985.

Funding Policy - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218.2387(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$370,766 for fiscal years 2007 and 2008, which is the required biennial State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2007. \$185,383 (half) was recognized as employer contribution in the fiscal year ended June 30, 2007 and 2008. Employee contributions of \$61,279 were received in fiscal year 2007, of which, \$30,640 (half) was recorded as employee contributions in 2007. The other half was recorded as deferred revenue.

Actuarial Information - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. Actuarial methods and significant assumptions used in the January 1, 2007, actuarial valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal cost
<i>Amortization Method:</i>	Level dollar closed
<i>Remaining Amortization Period:</i>	18 years
<i>Asset Valuation Method:</i>	Five year smoothed market
<i>Actuarial Assumptions:</i>	
<i>(Includes Inflation at 3.5% per year)</i>	
<i>Investment yield</i>	8%
<i>Projected salary increases</i>	None
<i>Retirement Age for Active Members:</i>	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.
<i>Assumed Mortality Rate:</i>	1983 Group Annuity Mortality Table
<i>Cost of Living (Post-Retirement) Increases:</i>	2% after 3 years of receiving benefits
	3% after 6 years of receiving benefits
	3.5% after 9 years of receiving benefits
	4% after 12 years of receiving benefits
	5% after 14 years of receiving benefits

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

Calendar Year	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2005	\$ 206	\$ 206	100%	\$ -
2006	206	206	100%	-
2007	185	185	100%	-



(Note 9 Continued)

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

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

C. JRS

Plan Description - The Judicial Retirement System of Nevada (JRS) is the administrator of a cost-sharing, multiple employer public employees defined benefit retirement system established in July 2001, by the Nevada Legislature to provide a reasonable base income to justices of the Supreme Court and district judges at retirement. In 2005, the Nevada Legislature amended the retirement statutes to allow municipal court judges and justices of the peace to participate in the JRS, upon the election of the local government employing the municipal court judges and justices of the peace. As of January 1, 2007 (date of most recent actuarial valuation), seven municipalities in Nevada had elected to participate in the JRS. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court and district judges, and now, municipal court judges and justices of the peace, funded on an actuarial reserve basis. The JRS began with initial funding from the State of Nevada on July 20, 2001, and became effective on January 1, 2003.

Benefits are paid according to various options contained in pertinent statutes, dependent upon whether a member was serving as a judge before November 5, 2002. Retiring members

who were serving as a judge before November 5, 2002 may select among the two benefit options 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 death 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 total maximum of 22 years, times the member's compensation for their last year of service.

Contributions and Funding - The State of Nevada, as employer, submits the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses of the JRS. Annually, the State of Nevada, as employer, pays to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

Actuarial Information - Actuarial valuations of the JRS are prepared annually on a calendar year basis. Significant actuarial assumptions used in the January 1, 2007 valuation include the following:

<i>Actuarial Cost Method:</i>	Entry age normal
<i>Amortization Method:</i>	Level dollar closed
<i>Remaining Amortization Period:</i>	30 years
<i>Asset Valuation Method:</i>	Market value
<i>Actuarial Assumptions:</i>	
<i>(Includes Inflation at 3.5% per year)</i>	
<i>Investment yield</i>	8%
<i>Projected salary increases</i>	Base increases of 3% per year Longevity increases of 2% per year after four years, maximum longevity increases of 22%



(Note 9 Continued)

<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"> <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>	1994 Group Annuity Mortality Table (sex distinct) set forward one year										
<i>Cost of Living (Post-Retirement) Increases:</i>	2% after 3 years of receiving benefits 3% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4% after 12 years of receiving benefits 5% after 14 years of receiving benefits										

Trend Information - Three-year trend information as of January 1 follows (expressed in thousands):

Calendar Year	Annual Pension Cost	State Contribution Made	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2005	\$ 3,220	\$ 3,407	106%	\$ -
2006	3,471	3,482	100%	-
2007	3,423	3,779	110%	-

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

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

D. Other Postemployment Benefits

Public employees who meet the eligibility requirements for retirement as outlined in sections A through C of this note and at the time of retirement are participants in the program, have the option upon retirement to continue group insurance including medical, dental, vision, accidental death and dismemberment, travel accident, long-term disability, mental health, substance abuse, and life insurance benefits. NAC 287.530 establishes this benefit upon the retiree. Monthly contributions are deducted from pension checks. The cost varies depending on which health plan the retiree chooses, as well as the amount of the subsidy they receive.

The Public Employees' Benefits Program administers these benefits as an agent multiple-employer defined benefit plan.

The plan is funded on a pay-as-you-go basis. For the year ended June 30, 2007, there were 12,085 retirees participating. The costs to administer the plan are divided by the number of total participants and added to the premiums. 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. Other public agency employers must provide the State with the same subsidy amount per covered retiree. Currently, there are 112 participating employers who are billed for retiree subsidies. Retirees assume any portion of the premium not covered by the State. For the year ended June 30, 2007, the average annual contribution per retiree was \$1,690.

In accordance with GASB 43, each participating employer is required to disclose additional information with regard to the funding policy, the employer's annual OPEB cost and contributions made. The total cost of OPEB for the States' retirees for the year ended June 30, 2007 was \$39,926,387, which consists of State contributions in the amount of \$28,320,825 and contributions from the States' retirees in the amount of \$11,605,562.



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, 2005	\$ 23,864	\$ 45,266
Claims and changes in estimates	151,617	11,189
Claim payments	(154,002)	(11,805)
Other - deposit and loss fund adjustments	-	(670)
Balance June 30, 2006	21,479	43,980
Claims and changes in estimates	181,281	13,908
Claim payments	(177,678)	(10,068)
Other - deposit and loss fund adjustments	-	(670)
Balance June 30, 2007	\$ 25,082	\$ 47,150

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, 2007. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed.

A. Self-Insurance Fund

The Self-Insurance Fund administers the group health, life and disability insurance for covered employees, both active and retired, of the State and certain other participating public employers within the State. All public employers in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are eleven public employers whose employees are covered under the plan. Additionally, all retirees of public employers 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 twelve 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



(Note 10 Continued)

and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

B. Insurance Premiums Fund

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

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy. For the year ended June 30, 2007, the loss retention for this policy was \$2,500,000. At the end of the fiscal year, June 30, 2007, management decided to defer until the next fiscal year to prepare actuarial reports. Therefore, liabilities in the amount of \$30,792,632 as of June 30, 2007 were determined using standard actuarial techniques as estimates for the incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2006, adjusted for a non-working escrow deposit on-hand with the insurer as of June 30, 2007.

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

The Fund is fully self-insured for general, civil and vehicle liability. The fund is also self-insured for comprehensive and collision loss to automobiles, self-insured to \$500,000 for property loss with commercial insurance purchased to cover the excess above this amount, and commercially insured for losses to boilers and machinery and certain other risks.

At June 30, 2007, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of Post Retirement Heart Disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the five-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart disease. A range of estimated losses from \$10,826,500 to \$33,536,300 has been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2007 total liabilities exceeded total assets by \$29,883,720. According to figures derived from actuarial estimates, the Fund is liable for approximately \$29,900,000 as of June 30, 2007 in potential claims settlements, which have yet to be funded through premium contributions. As Nevada Revised Statute 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.



Note 11 - Fund Balances and Net Assets

A. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$1,907,112 (expressed in thousands) of restricted net assets for the primary government of which \$121,093 (expressed in thousands) is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances, reserved for other and unreserved, designated, reported in nonmajor funds at June 30, 2007, are explained as follows (expressed in thousands):

	General	State Highway	Other Governmental	Total
Fund balances, reserved for other:				
Reserved for prepaid items	\$ 1,098	\$ 14	\$ 88	\$ 1,200
Reserved for noncurrent receivables - notes	540	-	47	587
Total fund balances, reserved for other	\$ 1,638	\$ 14	\$ 135	\$ 1,787
Fund balances, unreserved, designated, reported in nonmajor:				
Special revenue funds:				
Designated for principal preservation			\$ 362	\$ 362
Designated for legislatively approved allocations			13,552	13,552
Total special revenue funds			13,914	13,914
Capital project funds:				
Designated for approved capital projects			87,057	87,057
Total fund balances, unreserved, designated, reported in nonmajor funds			\$ 100,971	\$ 100,971

C. Individual Fund Deficits

Capital Project Fund

Parks Capital Project Construction – The Parks Capital Project Construction Fund accounts for the parks improvements program for the Division of State Parks of the Department of Conservation and Natural Resources. The fund shows a decrease of

Enterprise Fund

Nevada Magazine - The Nevada Magazine Fund accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows an increase in net assets of \$378,842 for the fiscal year ended June 30, 2007, resulting in net liabilities (negative net assets) of \$160,368 at June 30, 2007.

Internal Service Funds

Insurance Premiums - The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded an increase in net assets of \$9,273,988 for the year ended June 30, 2007, resulting in net liabilities (negative net assets) of \$29,883,720 at June 30, 2007.



Note 12 - Principal Tax Revenues

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

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for most non-gaming taxes.

The following are the primary non-gaming tax revenues:

Sales and Use Taxes are imposed at a minimum rate of 6.5%, with county and local option up to an additional 1.25%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

Modified Business Tax is imposed at .63% for businesses other than financial institutions, and 2% for financial institutions, on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

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

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

Other Sources of tax revenues include: Cigarette Tax, Controlled Substance Tax, Estate Tax, Jet Fuel, Liquor Tax, Live Entertainment Tax (non-gaming establishments),

Lodging Tax, Business License Fees, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Property Tax, Special Drug Manufacturing Tax, Short-Term Lessor Fees and Tire Tax.

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

Percentage Fees are the largest of several State levies on gaming. They are based upon gross revenue and are collected monthly. The fee is applied on a graduated basis at the following monthly rates:

3.5% of the first \$50,000 of gross revenue; 4.5% of the next \$84,000 of gross revenue; and 6.75% of the gross revenue in excess of \$134,000.

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

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

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

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

The State possesses certain works of art, historical treasures, and similar assets that are not included 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 Nevada State Museum and Historical Society of Las Vegas emphasizes Southern Nevada and its relationship to the Mojave Desert in its major collections of transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, 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.

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

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

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

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

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

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

violations that could result in substantial liability to the State.

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 it. 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, as far as we know. However, if the tax is found to be unconstitutional, all taxes collected since inception may be subject to refund. The total amounts collected for fiscal years ending June 30, 2004, 2005, 2006 and 2007 were \$89,201,827, \$107,884,336, \$117,109,287 and \$132,493,622, respectively.

PERS - The Public Employees' Retirement System (PERS) has entered into investment funding commitments related to alternative investments to fund an additional \$387.5 million at some future date. Alternative investments consist of acquisitions, industry consolidations, subordinated debt instruments, special situations, and venture capital.

Leases - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Assets. Primary government lease expense for the year ended June 30, 2007 amounted to \$30.9 million. The following is the primary government's schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2007 (expressed in thousands):



(Note 14 Continued)

For the Year Ending June 30	Amount
2008	\$ 24,697
2009	20,261
2010	16,555
2011	12,691
2012	7,256
2013-2017	13,867
2018-2022	2,677
2023-2027	1,596
Total	\$ 99,600

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, 2007, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The present value of the rebateable arbitrage is \$1,029,000 and has been recorded as a liability in the Statement of Net Assets at June 30, 2007. Future calculations might result in different rebateable arbitrage amounts.

Construction Commitments - As of June 30, 2007, the Nevada Department of Transportation had total contractual commitments of approximately \$434.7 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total \$82.8 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) - As of June 30,

2007, NSHE had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, NSHE is obligated to make additional investments in these private equity partnerships of \$5,154,000.

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

Colorado River Commission (CRC) - In May 2005, CRC sold 110 acres in the Fort Mohave Valley transfer area for \$13,000,000. The acreage sold is part of land purchased by CRC from the federal government pursuant to the "Fort Mohave Development Law" (NRS 321.480-536) and had been carried on CRC books of account in the Fort Mohave Special Revenue Fund.

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

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

During the year ended June 30, 2007, CRC paid Clark County \$9,000,000 in settlement of this dispute.

CRC does not accrue for estimated future legal and 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.

The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by CRC. Under this Act, an amount may be required to be rebated to the United States Treasury for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that no amount is due. Future calculations might result in adjustments to this determination.

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

Bonds - The following bonds were sold after June 30, 2007:

General Obligation Bonds - \$19,500,000 Series 2007A, General Obligation (Limited Tax), Natural Resources Bonds, due in annual installments ranging from \$575,000 to \$1,520,000 due on December 1, 2008 through 2027, plus interest ranging from 4.25% to 5.00% payable semi-annually on June 1st and December 1st, commencing December 1, 2007. The Series 2007A Bonds maturing on and after December 1, 2018 will be subject to optional redemption on and after December 1, 2017. The Series 2007A Bonds are not subject to the Constitutional Debt Limit.

\$267,270,000 Series 2007B General Obligation (Limited Tax), Capital Improvement and Cultural Affairs Bonds, due in annual installments ranging from \$4,550,000 to \$50,510,000 due on December 1, 2008 through 2026, plus interest ranging from 4.75% to 5.00%, payable semi-annually on June 1st and December 1st, commencing December 1, 2007. The Series 2007B Bonds maturing on and after December 1, 2018 will be subject to optional redemption on and after December 1, 2017. The Series 2007B Bonds are subject to the Constitutional Debt Limit.

\$4,500,000 Series 2007C General Obligation (Limited Tax), Open Space, Parks and Natural Resources Bonds, due in annual installments ranging from \$155,000 to \$350,000 due on December 1, 2008 through 2026, plus interest ranging from 4.00% to 6.00%, payable semi-annually on June 1st and December 1st, commencing December 1, 2007. The Series 2007C Bonds maturing on and after December 1, 2018 will be subject to optional redemption on and after December 1, 2017. The Series 2007C Bonds are not subject to the Constitutional Debt Limit.

Litigation - A judgment was filed on September 13, 2007 in the case of Las Vegas Metropolitan Police Department (Metro) vs. Public Employees Benefits Program (PEBP) in favor of Metro. The judgment states that Metro is not required to pay NRS 287.03 subsidies on behalf of local government employees who retired and enrolled in PEBP prior to October 1, 2003. The Self Insurance Trust Fund has filed an appeal and expects these premiums to be ultimately collectible and, accordingly, no allowance has been recorded; however, the entire balance of \$813,801 is shown as a non current receivable.

Note 16 - Accounting Changes and Restatements

During fiscal year 2007, the State implemented the Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26, Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension

Plans. This approach is consistent with the one adopted in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, with modifications to reflect differences between pension plans and OPEB plans. As a result of Statement No. 43, the State established an agency fund to account for activity related to postemployment healthcare insurance. The required disclosures are presented in Note 9D.

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

For the Fiscal Year Ended June 30, 2007 (Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Sources of Financial Resources								
Fund balances, July 1	\$ 812,256	\$ 812,256	\$ 812,256	\$ -	\$ 329,017	\$ 329,017	\$ 329,017	\$ -
Revenues:								
Sales taxes	1,007,354	1,042,630	1,020,762	(21,868)	-	-	-	-
Gaming taxes, fees, licenses	974,867	991,708	992,734	1,026	-	-	-	-
Intergovernmental	1,512,186	1,781,046	1,470,184	(310,862)	232,436	280,854	315,872	35,018
Other taxes	1,008,058	1,065,028	1,083,235	18,207	318,850	318,994	318,051	(943)
Sales, charges for services	164,096	177,989	171,346	(6,643)	24,164	26,262	27,141	879
Licenses, fees and permits	429,101	462,510	394,154	(68,356)	166,005	169,473	183,843	14,370
Interest	21,004	63,849	65,309	1,460	6,015	6,039	20,170	14,131
Other	223,031	267,038	221,599	(45,439)	20,950	23,593	52,381	28,788
Other financing sources:								
Proceeds from sale of bonds	-	24,914	24,916	2	200,000	198,960	198,965	5
Transfers	220,978	309,378	254,901	(54,477)	10,048	10,600	11,625	1,025
Reversions from other funds	-	-	4,842	4,842	-	-	-	-
Total sources	6,372,931	6,998,346	6,516,238	(482,108)	1,307,485	1,363,792	1,457,065	93,273
Uses of Financial Resources								
Expenditures and encumbrances:								
Constitutional agencies	122,374	160,642	108,524	52,118	-	-	-	-
Finance and administration	90,369	121,808	89,414	32,394	-	-	-	-
Education	2,379,367	2,570,428	2,225,921	344,507	-	-	-	-
Human services	2,512,227	2,637,180	2,347,949	289,231	-	-	-	-
Commerce and industry	159,645	176,585	106,208	70,377	-	-	-	-
Public safety	383,546	484,511	375,977	108,534	178,097	183,421	172,036	11,385
Infrastructure	273,035	527,587	152,751	374,836	993,803	1,046,061	827,913	218,148
Special purpose agencies	33,343	34,006	30,307	3,699	-	-	-	-
Other financing uses:								
Transfers to other funds	68,413	329,871	329,871	-	86,755	108,981	108,504	477
Reversions to other funds	-	-	3,322	(3,322)	-	-	353	(353)
Projected reversions	(88,370)	(233,540)	-	(233,540)	-	-	-	-
Total uses	5,933,949	6,809,078	5,770,244	1,038,834	1,258,655	1,338,463	1,108,806	229,657
Fund balances, June 30	\$ 438,982	\$ 189,268	\$ 745,994	\$ 556,726	\$ 48,830	\$ 25,329	\$ 348,259	\$ 322,930



NEVADA

Municipal Bond Bank				Stabilize the Operations of State Government			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 22	\$ 22	\$ 22	\$ -	\$ 192,809	\$ 192,809	\$ 192,809	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
87,035	87,035	53,961	(33,074)	-	400	249	(151)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	87,334	89,652	89,652	-
-	-	-	-	-	-	-	-
<u>87,057</u>	<u>87,057</u>	<u>53,983</u>	<u>(33,074)</u>	<u>280,143</u>	<u>282,861</u>	<u>282,710</u>	<u>(151)</u>
-	-	-	-	7,631	11,458	5,694	5,764
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,012	1,330	-	1,330
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
87,057	87,057	53,983	33,074	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>87,057</u>	<u>87,057</u>	<u>53,983</u>	<u>33,074</u>	<u>8,643</u>	<u>12,788</u>	<u>5,694</u>	<u>7,094</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,500</u>	<u>\$ 270,073</u>	<u>\$ 277,016</u>	<u>\$ 6,943</u>

**Notes to Required Supplementary Information
Budgetary Reporting**



NEVADA

For the Fiscal Year Ended June 30, 2007

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 6 are reported instead of the amounts disclosed in the original budget. The September 6, 2007 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, 2007 budget as permitted by NRS 353.220.

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

	General Fund	State Highway	Municipal Bond Bank	Stabilize the Operations of State Government
Fund balances (budgetary basis) June 30, 2007	\$ 745,994	\$ 348,259	\$ -	\$ 277,016
Adjustments:				
<i>Basis differences:</i>				
Petty cash or outside bank accounts	3,544	178	-	-
Investments not recorded on the budgetary basis	23,960	-	617,320	-
Accrual of certain other receivables	118,898	3,630	110	65
Inventory	-	11,478	-	-
Advances to other funds	14,173	7	-	-
Deferred charges and other assets	-	-	-	-
Accrual of certain accounts payable and other liabilities	(235,683)	-	-	-
Accrual of longevity pay	(1,398)	(204)	-	-
Deferred revenues	(239,450)	-	-	(2)
Encumbrances	4,656	1,276	-	-
Other	10,397	2,806	-	-
Fund balances (GAAP basis) June 30, 2007	<u>\$ 445,091</u>	<u>\$ 367,430</u>	<u>\$ 617,430</u>	<u>\$ 277,079</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2007, 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)	\$ 745,994
Restricted funds	<u>(608,562)</u>
Unrestricted fund balance (budgetary basis)	<u>\$ 137,432</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, 2007

Legislator's Retirement System (LRS)

Schedule of Funding Progress - Actuarial valuations of the LRS are prepared every two years to determine State contributions required to fund the system on an actuarial basis. A schedule of funding progress follows (expressed in thousands):

Valuation Year	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
2003	\$ 5,642	\$ 4,060	\$ 1,582	72%	\$ 484	327%
2005	5,862	4,101	1,760	70%	452	389%
2007	5,884	4,324	1,561	73%	382	409%

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

Actuarial valuation is performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

Judicial Retirement System (JRS)

Schedule of Funding Progress - Actuarial valuations of the JRS are prepared annually on a calendar year basis to determine State contributions required to fund the system on an actuarial basis. A schedule of funding progress as of January 1 follows (expressed in thousands):

Valuation Year	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
2005	\$ 44,360	\$ 19,711	\$ 24,650	44%	\$ 7,889	313%
2006	49,667	26,090	23,577	53%	9,166	257%
2007	55,009	32,431	22,578	59%	9,088	248%

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, 2007

The State has adopted the modified approach for reporting infrastructure assets under a single roadway network that includes both roads and bridges. Under this approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. The roadway network accounted for under the modified approach includes the combination of approximately 5,300 centerline miles of roads and approximately 1,000 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. However, the calendar year 2007 assessment is not available as of the date of this report. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The State has set a policy that it will maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. The following tables show that the State's policy regarding the condition level of the roadways and bridges has been met.

Condition Level of the Roadways

Percentage of roadways with an IRI of less than 80

	Category				
	I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%
Actual results of 2001 condition assessment	83%	77%	86%	65%	19%

Condition Level of the Bridges

Percentage of substandard bridges

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

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

Maintenance and Preservation Costs

(Expressed in Thousands)

	2007	2006	2005	2004	2003
Estimated	\$ 243,191	\$ 207,751	\$ 153,148	\$ 338,180	\$ 324,525
Actual	218,923	196,080	151,363	288,315	306,149

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



KAFOURY, ARMSTRONG & CO.
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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable 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, 2007, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 13, 2007 (except for the information contained on pages 73 through 165, as to which the date is March 14, 2008). Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Nevada System of Higher Education and the Colorado River Commission, discretely presented component units; the Housing Division Enterprise Fund, the Self Insurance Internal Service Funds and the Pension Trust Funds, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Higher Education Tuition Trust Enterprise Fund, the Self Insurance Internal Service Fund, the Pension Trust Funds and the Local Government Investment Pool Investment Trust Funds were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our audit 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the State's internal control. We consider the deficiency described in item 07-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

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*.

The State's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State's response, and accordingly, we express no opinion on it.

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 13, 2007



KAFOURY, ARMSTRONG & CO.
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CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133

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

Compliance:

We have audited the compliance of the State of Nevada (the State) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. The State's major Federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit. As described in our report dated December 13, 2007 (except for the information contained on pages 73 through 165, as to which the date is March 14, 2008), portions of the audit of the basic financial statements were performed by other auditors, whose reports were furnished to us.

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

In our opinion, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. 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 07-3.

Internal Control over Compliance:

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 07-02 and 07-04 through 07-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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, express no opinion on them.

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

Kafoory, Armstrong & Co.

Reno, Nevada
March 14, 2008

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor	CFDA	Award or Pass-	Through Number	Expenditures	Payments to
Program Title	Number	-	Number	-	Subrecipients
Department of Agriculture					
Research and Development CLUSTER					
Agricultural Research_Basic and Applied Research	10.001	58-5325-5-691		\$ 24,283	-
Rural Development, Forestry, and Communities	10.672	03-DG-11046000-017		24,740	-
Rural Development, Forestry, and Communities	10.672	04-DG-11010000-034		6,994	-
Rural Development, Forestry, and Communities	10.672	04-DG-11046000-049		69,872	-
Total Research and Development CLUSTER				<u>101,606</u>	<u>-</u>
Total Department of Agriculture				<u>125,889</u>	<u>-</u>
Department of the Interior					
Research and Development CLUSTER					
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2002		392,577	225,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2003		40,000	40,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2004		254,891	228,170
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005		124,979	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2006		85,862	-
Total Research and Development CLUSTER				<u>898,309</u>	<u>493,170</u>
Total Department of the Interior				<u>898,309</u>	<u>493,170</u>
Department of Justice					
Research and Development CLUSTER					
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2005-DN-BX-0054		74,057	-
Total Research and Development CLUSTER				<u>74,057</u>	<u>-</u>
Total Department of Justice				<u>74,057</u>	<u>-</u>
Department of Transportation					
Research and Development CLUSTER					
State Planning and Research	20.515	NV-26-0002		409	409
State Planning and Research	20.515	NV-80-X013-00		303,842	-
State Planning and Research	20.515	NV-80-X014-00		351,351	351,351
Total Research and Development CLUSTER				<u>655,602</u>	<u>351,760</u>
Total Department of Transportation				<u>655,602</u>	<u>351,760</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Environmental Protection Agency				
Research and Development CLUSTER				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-97958101-1	\$ 28,282	-
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96962801-1	130,145	-
			<u>158,427</u>	-
			<u>158,427</u>	-
			<u>158,427</u>	-
Total Research and Development CLUSTER			<u>207,250</u>	<u>51,097</u>
Total Environmental Protection Agency			<u>146,365</u>	<u>4,000</u>
Department of Health and Human Services			<u>40,393</u>	-
Research and Development CLUSTER			<u>186,758</u>	<u>4,000</u>
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	1 STTMP051009-01	14,351	-
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	6 STTMP051009-02	192,899	51,097
Primary Care Services_Resource Coordination and Development	93.130	6 U68CS00199-20-01	146,365	4,000
Primary Care Services_Resource Coordination and Development	93.130	6 U68CS00199-21-01	40,393	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-01	74,670	43,738
Injury Prevention and Control Research and State and Community Based Programs	93.136	U17/CCU924825-01	10,080	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	U17/CCU924825-02	97,053	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	VF1/CCV919944-05	193,153	173,905
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-14	<u>374,956</u>	<u>217,643</u>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-15	137,867	52,903
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-92044/9-01	51,919	27,000
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-93035/9-04	101,247	86,166
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	18-P-91574/9-01	352,631	224,842
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LACMS300023/01	339,962	184,122
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		90,979	30,243
			<u>1,074,605</u>	<u>605,276</u>
			<u>1,843,569</u>	<u>878,016</u>
			<u>3,755,853</u>	<u>1,722,946</u>
Total Department of Health and Human Services				
Total Research and Development CLUSTER				

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

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	\$ 12,831,744	\$ 12,533,547
National School Lunch Program	10.555	7NV300NV3	52,515,379	52,133,274
Special Milk Program for Children	10.556	7NV300NV3	105,937	105,937
Summer Food Service Program for Children	10.559	7NV300NV3	680,835	680,835
Total Child Nutrition CLUSTER			66,133,895	65,453,593
Emergency Food Assistance CLUSTER				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	131,000	71,886
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8-FY07	264,817	105,793
			395,817	177,679
Emergency Food Assistance Program (Food Commodities)	10.569	SFY 07	1,215,950	1,209,426
Total Emergency Food Assistance CLUSTER			1,611,767	1,387,105
Food Stamp CLUSTER				
Food Stamps	10.551	SFY 07	129,541,509	-
State Administrative Matching Grants for Food Stamp Program	10.561	7NV4004NV	14,057,886	-
State Administrative Matching Grants for Food Stamp Program	10.561	8NV400001	41,557	-
			14,099,443	-
Total Food Stamp CLUSTER			143,640,952	-
Schools and Roads CLUSTER				
Schools and Roads_Grants to States	10.665	N/A	466,862	466,862
Total Schools and Roads CLUSTER			466,862	466,862
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	541,979	54,141
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1296-CA	7	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-9732-1319-CA	286	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-8576-0596-CA	55	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1374-CA	8,850	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1428-CA	78,360	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1447-CA	8,556	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1455-CA	24,833	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1456-CA	157	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1467-CA	17,164	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1541 CA	9,046	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0016-CA	101,916	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0526-CA	7,026	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0596-CA	68,246	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-8576-0834-CA	18,152	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1634-CA	1,267	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1716-CA	5,152	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1721-CA	21,170	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-0016-CA	20,481	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-0526-CA	2,368	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-0596-CA	33,216	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-1057-CA	22,060	-
			<u>990,347</u>	<u>54,141</u>
Wildlife Services (Animal Damage Control)	10.028	04-73-32-5788-GR	21,125	-
Wildlife Services (Animal Damage Control)	10.028	06-7100-0156-CA	41,872	-
			<u>62,997</u>	<u>-</u>
Federal-State Marketing Improvement Program	10.156	12-25-G-0429	136	-
Inspection Grading and Standardization	10.162	12-25-A-3287	297	-
Inspection Grading and Standardization	10.162	FFY06	144	-
			<u>441</u>	<u>-</u>
Market Protection and Promotion	10.163	12-25-A-4583	530	511
Market Protection and Promotion	10.163	12-25-A-4623	1,226	-
Market Protection and Promotion	10.163	12-25-A-4695	1,970	1,954
Market Protection and Promotion	10.163	12-25-A-4706	6,561	-
			<u>10,287</u>	<u>2,465</u>
Specialty Crop Block Grant Program	10.169	12-25-G-0524	78,661	78,661
Homeland Security_Agricultural	10.304	K007797-15	45,896	-
State Mediation Grants	10.435	330030887300271-06	6,084	-
State Mediation Grants	10.435	330030887300271-07	15,316	-
			<u>21,400</u>	<u>-</u>
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287	18,268	-
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287 FFY06	20,178	-
			<u>38,446</u>	<u>-</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Food Donation	10.550	SFY07	6,711,622	6,667,242
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	27,783,434	7,903,473
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	SA-5-2-2 NV	7,116	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	SA-6-2-3 GEN	137,493	45,501
			27,928,043	7,948,974
Child and Adult Care Food Program	10.558	7NV300NV3	3,952,418	3,952,418
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	101,628	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NV3	704,801	704,801
			806,429	704,801
Commodity Supplemental Food Program	10.565	7NV810NV1	1,353,114	1,322,527
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	132,359	-
Food Distribution Program on Indian Reservations	10.567	NONCASH ASSISTANCE	248,616	-
			380,975	-
Senior Farmers Market Nutrition Program	10.576	7NV810NV2	87,120	75,000
Senior Farmers Market Nutrition Program	10.576	PID 0206-02	3,718	-
Senior Farmers Market Nutrition Program	10.576	WISF-04-NV-1	10,252	-
			101,090	75,000
Cooperative Forestry Assistance	10.664	02-DG-11046000-035	101,687	101,687
Cooperative Forestry Assistance	10.664	03-DG-11010000-054	52,705	12,616
Cooperative Forestry Assistance	10.664	03-DG-11046000-26	783,767	675,849
Cooperative Forestry Assistance	10.664	04-CA-11046000-052	6,488	-
Cooperative Forestry Assistance	10.664	04-DG-11046000-027	88,390	38,850
Cooperative Forestry Assistance	10.664	04-DG-11046000-25	243,292	108,533
Cooperative Forestry Assistance	10.664	05-DG-11010000-010	102,440	102,433
Cooperative Forestry Assistance	10.664	05-DG-11046000-051	407,437	246,263
Cooperative Forestry Assistance	10.664	05-DG-11046000-065	53,631	53,531
Cooperative Forestry Assistance	10.664	06-DG-11010000-019	20,684	18,152
Cooperative Forestry Assistance	10.664	06-DG-11046000-607	1,338,926	315,463
Cooperative Forestry Assistance	10.664	R4 22-CA-99-032	287,443	-
			3,486,790	1,673,377
Forest Legacy Program	10.676	06-DG-11046000-601	101,952	-
Forest Legacy Program	10.676	06-DG-11046000-609	36,283	-
			138,235	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Forest Land Enhancement Program	10.677	03-DG-11046000-051	5,834	-
Forest Land Enhancement Program	10.677	05-DG-11046000-013	39,823	39,823
Forest Land Enhancement Program	10.677	06-DG-11010000-012	5,219	-
			<u>50,876</u>	<u>39,823</u>
Total Department of Agriculture			258,011,679	89,826,989
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-03-2-0338	432,628	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	NV06-1W9128F-06-2-0137	277,694	-
Military Construction, National Guard	12.400	DAHA26-01-2-2004	26,835	-
Military Construction, National Guard	12.400	W9124X-05 22001 (05-C13)	8,208,992	-
			<u>8,235,827</u>	<u>-</u>
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NINNN)	8,645,251	-
			<u>17,591,400</u>	<u>-</u>
Total Department of Defense				
Department of Housing and Urban Development				
Community Development Block Grants/State's Program	14.228	B-04-DC-32-0001	932,524	878,515
Community Development Block Grants/State's Program	14.228	B-05-DC-32-0001	2,093,627	1,958,917
			<u>3,026,151</u>	<u>2,837,432</u>
Emergency Shelter Grants Program	14.231	S03-DC-32-0001	278,450	278,450
Shelter Plus Care	14.238	NV01C401002	58,433	-
Shelter Plus Care	14.238	NV01C501007	395,609	-
			<u>454,042</u>	<u>-</u>
HOME Investment Partnerships Program	14.239	M00-SG320100	16,148	16,148
HOME Investment Partnerships Program	14.239	M01-SG320100	45,453	45,453
HOME Investment Partnerships Program	14.239	M02-SG320100/02	1,109,252	548,754
HOME Investment Partnerships Program	14.239	M03-SG320100	1,422,297	307,891
HOME Investment Partnerships Program	14.239	M04-SG320100	1,135,085	212,843
HOME Investment Partnerships Program	14.239	M05-SG320100	991,842	72,852
			<u>4,720,077</u>	<u>1,203,941</u>
Housing Opportunities for Persons with AIDS	14.241	NVH05-F999	63,771	63,771
Housing Opportunities for Persons with AIDS	14.241	NVH06-F999	170,229	106,458
			<u>234,000</u>	<u>170,229</u>
Total Department of Housing and Urban Development			8,712,720	4,490,052

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of the Interior				
Fish and Wildlife CLUSTER				
Sport Fish Restoration	15.605	F-20-41	\$ 844	\$ -
Sport Fish Restoration	15.605	F-20-42	1,348,827	-
Sport Fish Restoration	15.605	F-27-B-57	31,424	-
Sport Fish Restoration	15.605	F-27-B-58	1,635	-
Sport Fish Restoration	15.605	F-30-AE-18	306,821	-
Sport Fish Restoration	15.605	F-32-D-16	1,603,546	-
Sport Fish Restoration	15.605	F-38-D-2	350,000	-
Sport Fish Restoration	15.605	FW-1-CP-7	18,267	-
Sport Fish Restoration	15.605	FW-20-L-8	46,493	-
Sport Fish Restoration	15.605	FW-3-T-25	265,870	-
Sport Fish Restoration	15.605	FW-4-D-12	1,004	-
Sport Fish Restoration	15.605	FW-4-D-13	131,241	-
			4,105,972	-
Wildlife Restoration	15.611	FW-1-CP-7	18,267	-
Wildlife Restoration	15.611	FW-20-L-8	71,510	-
Wildlife Restoration	15.611	FW-3-T-25	555,252	-
Wildlife Restoration	15.611	FW-4-D-12	5,922	-
Wildlife Restoration	15.611	FW-4-D-13	777,696	-
Wildlife Restoration	15.611	W-48-R-37	2,664	-
Wildlife Restoration	15.611	W-48-R-38	1,495,883	-
Wildlife Restoration	15.611	W-58-D-17	411,687	-
Wildlife Restoration	15.611	W-61-D-10	98,570	-
Wildlife Restoration	15.611	W-64-R-7	350,156	-
			3,787,807	-
			7,893,779	-
Total Fish and Wildlife CLUSTER				
Cultural Resource Management	15.224	FAA050027	69,070	-
Distribution of Receipts to State and Local Governments	15.227	SFY 06	6,922,295	6,631,195
Wild Horse and Burro Resource Management	15.229	FAA060003	29,000	-
Wild Horse and Burro Resource Management	15.229	FAA060180	60,393	-
			89,393	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Number			
Fish, Wildlife and Plant Conservation Resource Management	15.231	FAA060209		\$ 3,715	\$ -
Water Reclamation and Reuse Program	15.504	04-FG-204014		71,524	-
Water Reclamation and Reuse Program	15.504	04-FG-204017		1,901,743	-
Water Reclamation and Reuse Program	15.504	04-FG-204026		98,000	-
Water Reclamation and Reuse Program	15.504	04-FG-204060		46,564	-
				<u>2,117,831</u>	-
Fish and Wildlife Coordination Act	15.517	06FG300024		29,601	-
Recreation Resources Management	15.524	03-FG-200028		5,362	-
Fish and Wildlife Management Assistance	15.608	14320-4-J349		107,000	-
Fish and Wildlife Management Assistance	15.608	143204-J352		83,534	-
Fish and Wildlife Management Assistance	15.608	84320-5-J308		64,551	-
				<u>255,085</u>	-
Cooperative Endangered Species Conservation Fund	15.615	14-48-0001-95642		19,985	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-21		18,726	-
Cooperative Endangered Species Conservation Fund	15.615	E-10-HP-1		60,362	-
Cooperative Endangered Species Conservation Fund	15.615	E-3-CC-1		1,432	-
Cooperative Endangered Species Conservation Fund	15.615	E-4-SH-1		2,890	-
Cooperative Endangered Species Conservation Fund	15.615	EP-3-14		7,938	-
Cooperative Endangered Species Conservation Fund	15.615	EW-3-8		19,610	-
				<u>130,943</u>	-
Clean Vessel Act	15.616	V-6-D-1		16,452	-
Hunter Education and Safety Program	15.626	W-51-HS-32		281,168	-
Landowner Incentive	15.633	I-1-1		73,213	-
State Wildlife Grants	15.634	FW-3-T-25		75,963	-
State Wildlife Grants	15.634	T-1-1		959,026	-
State Wildlife Grants	15.634	T-2-P-1		161,016	-
				<u>1,196,005</u>	-
Migratory Bird Conservation	15.647	10154-6-J103		32,441	-
Historic Preservation Fund Grants-In-Aid	15.904	32-05-20430		57,617	39,388
Historic Preservation Fund Grants-In-Aid	15.904	32-05-20430(7)		5,000	-
Historic Preservation Fund Grants-In-Aid	15.904	32-06-21531		292,169	26,027
Historic Preservation Fund Grants-In-Aid	15.904	32-06-21531(9)		7,500	-
Historic Preservation Fund Grants-In-Aid	15.904	32-07-21632		142,858	-
				<u>505,144</u>	<u>65,415</u>
Rivers, Trails and Conservation Assistance	15.921	H8360060018		15,103	-
				<u>19,636,600</u>	<u>6,696,610</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

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	2006-87	\$ 15,000	-
State and Local Domestic Preparedness Exercise Report	16.009	2007-87	2,239	-
			<u>17,239</u>	<u>-</u>
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	2002-RE-CX-0050	225,995	73
Juvenile Accountability Incentive Block Grants	16.523	03-JB-BX-0004	243,431	90,411
Juvenile Accountability Incentive Block Grants	16.523	04-JB-BX-0065	239,522	132,254
Juvenile Accountability Incentive Block Grants	16.523	05-JB-FX-0043	127,427	127,427
Juvenile Accountability Incentive Block Grants	16.523	06-JB-FX-0048	88,480	88,480
			<u>698,860</u>	<u>438,572</u>
Enhanced Training and Services to End Violence and Abuse of Women Later In Life	16.528	2004-EW-AX-K002	72,901	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2004-JF-FX-0052	27,354	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2005-JF-FX-0026	283,726	-
			<u>311,080</u>	<u>-</u>
Title V_Delinquency Prevention Program	16.548	2005-JP-FX-0035	70,574	-
National Criminal History Improvement Program (NCHIP)	16.554	05-NCHIP-002	120,818	-
National Criminal History Improvement Program (NCHIP)	16.554	2004-RU-BX-K033	126,518	-
National Criminal History Improvement Program (NCHIP)	16.554	2006-RU-BX-K003	33,183	-
			<u>280,519</u>	<u>-</u>
Crime Victim Assistance	16.575	04-VA-GX-0063	2,739,672	2,468,809
Crime Victim Assistance	16.575	05-VG-AX-0035	2,972,702	2,625,840
Crime Victim Assistance	16.575	06-VG-AX-0030	511,789	506,545
			<u>6,224,163</u>	<u>5,601,194</u>
Crime Victim Compensation	16.576	2006-VC-GX-0055	1,494,270	-
Crime Victim Compensation	16.576	2007-VC-GX-0028	2,350,000	-
			<u>3,844,270</u>	<u>-</u>
Edward Byrne Memorial Formula Grant Program	16.579	03-DB-BX-001	195,924	59,298
Edward Byrne Memorial Formula Grant Program	16.579	03-NC-044	4,976	-
Edward Byrne Memorial Formula Grant Program	16.579	03-NC-045	7,588	-
Edward Byrne Memorial Formula Grant Program	16.579	03-NC-046	109,912	-
Edward Byrne Memorial Formula Grant Program	16.579	2004-DB-BX-0049	534,698	-
			<u>853,098</u>	<u>59,298</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures		Payments to Subrecipients	
			\$		\$	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004-PM-BX-0015	109,520		102,340	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2006-DG-BX-0001	19,158		-	
			128,678		102,340	
Drug Court Discretionary Grant Program	16.585	2002-DC-BX-0008	98,035		-	
Violence Against Women Formula Grants	16.588	2003-WF-BX-0215	612		612	
Violence Against Women Formula Grants	16.588	2004-WF-AX-0037	50,267		50,267	
Violence Against Women Formula Grants	16.588	2005-WF-AX-0023	466,894		274,771	
Violence Against Women Formula Grants	16.588	2006-WF-AX-0016	273,704		-	
			791,477		325,650	
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	2004-WR-AX-0052	60,664		-	
Grants to Encourage Arrest Policies	16.590	2004-WE-AX-0023	144,656		-	
Residential Substance Abuse Treatment for State Prisoners	16.593	2002-RT-BX-0005	3,745		-	
Residential Substance Abuse Treatment for State Prisoners	16.593	2005-RT-BX-0001	91,556		-	
Residential Substance Abuse Treatment for State Prisoners	16.593	2006-RT-BX-0016	71,215		-	
Residential Substance Abuse Treatment for State Prisoners	16.593	FY07	145,958		-	
			312,474		-	
State Criminal Alien Assistance Program	16.606	2006-F3591-NV-AP	3,109,501		-	
Bulletproof Vest Partnership Grant	16.607	06-BVP-001	1,322		-	
Bulletproof Vest Partnership Grant	16.607	06-BVP-002	17,255		11,596	
			18,577		11,596	
Community Prosecution and Project Safe Neighborhoods	16.609	2003-GP-CX-0189	190,332		182,010	
Community Prosecution and Project Safe Neighborhoods	16.609	2006-GP-CX-0013	16,887		16,887	
			207,219		198,897	
Enforcing Underage Drinking Laws Program	16.727	2004-AH-FX-0052	342,614		-	
Enforcing Underage Drinking Laws Program	16.727	2005-AH-FX-0009	350,000		-	
			692,614		-	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	04-NC-041	5,679		-	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-JAG-15	14,101		-	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0018	93,981		93,981	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0028	1,486,246		1,472,145	
			1,600,007		1,566,126	
Anti-Gang Initiative	16.744	2006-PG-BX-0007	102,196		101,078	
			19,864,797		8,404,824	

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Labor				
Employment Services Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-14878-05-55	\$ 1,804,042	\$ -
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-15709-06-55	3,894,524	-
Employment Service/Wagner-Peyser Funded Activities	17.207	X-5027-5-00-80-60	909,258	-
			6,607,824	-
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-6-5087	171,110	-
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-7-5087	432,230	-
			603,340	-
Local Veterans' Employment Representative Program	17.804	E-9-5-6-5087	176,471	-
Local Veterans' Employment Representative Program	17.804	E-9-5-7-5087	456,080	-
			632,551	-
			7,843,715	-
Total Employment Services Cluster				
WIA Cluster				
WIA Adult Program	17.258	AA-11264-01-50	3,422	-
WIA Adult Program	17.258	AA-14688-05-55	447,332	401,512
WIA Adult Program	17.258	AA-15492-06-55	3,208,543	2,876,193
WIA Adult Program	17.258	AG60008	237,399	-
			3,896,696	3,277,705
WIA Youth Activities	17.259	AA-11264-01-50	3,863	-
WIA Youth Activities	17.259	AA-138811-04-50	118,313	52,494
WIA Youth Activities	17.259	AA-14688-05-55	767,005	725,554
WIA Youth Activities	17.259	AA-15492-06-55	2,753,848	2,621,988
			3,643,029	3,400,036
WIA Dislocated Workers	17.260	AA-138811-04-50	217,492	53,547
WIA Dislocated Workers	17.260	AA-14688-05-55	742,190	317,643
WIA Dislocated Workers	17.260	AA-15492-06-55	3,790,224	2,954,934
WIA Dislocated Workers	17.260	AG60008	12,209	-
			4,762,115	3,326,124
			12,301,840	10,003,865
Total WIA Cluster				
Labor Force Statistics	17.002	W9J58032/06	191,144	-
Labor Force Statistics	17.002	W9J78032	656,912	-
			848,056	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Labor Certification for Alien Workers	17.203	ES-14878-05-55	\$ 53,934	\$ -
Labor Certification for Alien Workers	17.203	ES-15709-06-55	31,966	-
			85,900	-
Unemployment Insurance	17.225	U. I. Trust Fund	295,628,942	-
Unemployment Insurance	17.225	UI-15133-06-55	11,596,437	-
Unemployment Insurance	17.225	UI-15817-07-55	12,659,313	-
			319,884,692	-
Senior Community Service Employment Program	17.235	AD-14095-04-60	441,431	429,676
Trade Adjustment Assistance	17.245	TA-13507-04-55	10,224	-
Trade Adjustment Assistance	17.245	TA-14392-05-55	8,241	-
Trade Adjustment Assistance	17.245	TA-15315-06-55	6,915	-
Trade Adjustment Assistance	17.245	UI-15133-06-55	7,033	-
Trade Adjustment Assistance	17.245	UI-15817-07-55	43,014	-
			75,427	-
Incentive Grants - WIA Section 503	17.267	AA-14922-05-55	249,096	-
Incentive Grants - WIA Section 503	17.267	PI-15669-06-55	436,796	-
			685,892	-
Occupational Safety and Health_State Program	17.503	60F6-0093	57,150	-
Occupational Safety and Health_State Program	17.503	60F7-0093	1,132,400	-
			1,189,550	-
Consultation Agreements	17.504	E9F7-0993	587,000	-
Consultation Agreements	17.504	W9F6-37933	5,409	-
Consultation Agreements	17.504	W9F7-37933	263	-
			592,672	-
Mine Health and Safety Grants	17.600	E4R6002525	5,337	-
Mine Health and Safety Grants	17.600	MS16070M70	87,025	-
Mine Health and Safety Grants	17.600	W9J6-8132	21,981	-
Mine Health and Safety Grants	17.600	W9J7-8132	28,233	-
			142,576	-
Transition Assistance Program	17.807	E-9-5-6-5087	9,889	-
Transition Assistance Program	17.807	E-9-5-7-5087	20,603	-
			30,492	-
Total Department of Labor			344,122,243	10,433,541

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Formula Grants	20.507	NV-90-X049-00	\$ 437,628	\$ 437,628
Federal Transit_Formula Grants	20.507	NV-90-X050-00	583,810	583,810
Federal Transit_Formula Grants	20.507	NV-90-X052	280,439	280,439
			<u>1,301,877</u>	<u>1,301,877</u>
			<u>1,301,877</u>	<u>1,301,877</u>
Total Federal Transit CLUSTER				
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	P765-05-013	2,372	-
Highway Planning and Construction	20.205	SFY 07	307,870,437	39,076,957
			<u>307,872,809</u>	<u>39,076,957</u>
			<u>307,872,809</u>	<u>39,076,957</u>
Total Highway Planning and Construction CLUSTER				
Highway Safety CLUSTER				
State and Community Highway Safety	20.600	2007-BCPS-1	850	-
State and Community Highway Safety	20.600	26-163PT-3	275,324	-
State and Community Highway Safety	20.600	27-OP-7	27,000	-
State and Community Highway Safety	20.600	US DOT FFY05	41,077	-
State and Community Highway Safety	20.600	US DOT FFY07	1,285,138	1,285,138
			<u>1,629,389</u>	<u>1,285,138</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	26-JF-1.6	153,460	-
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	US DOT FFY05	71,383	71,383
			<u>1,854,232</u>	<u>1,356,521</u>
Total Highway Safety CLUSTER				
Airport Improvement Program	20.106	3-32-000-003-04	61,738	-
Airport Improvement Program	20.106	3-32-000-004-05	154,333	-
Airport Improvement Program	20.106	NDOT/Airport Improvement Program	14,950	-
			<u>231,021</u>	<u>-</u>
National Motor Carrier Safety	20.218	MC-06-32-1	763,392	-
National Motor Carrier Safety	20.218	MC-07-32-1	410,909	-
National Motor Carrier Safety	20.218	MN-05-32-1	25,951	-
National Motor Carrier Safety	20.218	MN-06-32-1	55,000	-
National Motor Carrier Safety	20.218	MN-07-32-1	55,958	-
			<u>1,311,210</u>	<u>-</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Recreational Trails Program	20.219	NRT-0001 (001)-2004	11,676	11,476
Recreational Trails Program	20.219	NRT-0001 (001)-2005	180,314	93,378
Recreational Trails Program	20.219	NRT-0001 (001)-2006	104,830	63,588
Recreational Trails Program	20.219	NRT-0005 (001)-2003	57,052	57,052
			353,872	225,494
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	220,898	220,898
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	753,196	753,196
			974,094	974,094
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0032	238,265	238,265
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	504,778	504,778
			743,043	743,043
Job Access_Reverse Commute	20.516	NV-37-X005-00	12,783	12,783
Job Access_Reverse Commute	20.516	NV-37-X006-00	716,205	716,205
Job Access_Reverse Commute	20.516	NV-37-X007	34,000	34,000
Job Access_Reverse Commute	20.516	NV-37-X008	27,815	27,815
			790,803	790,803
Pipeline Safety	20.700	DOT-GB-10026	1,479	-
Pipeline Safety	20.700	DOT-GB-60026	50,000	-
Pipeline Safety	20.700	RDPS0106G60026	349,844	-
			401,323	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	07-HMEP-29-01	803	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV5008130	31,225	31,225
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV6008140	56,762	56,762
			88,790	87,987
			315,923,074	44,556,776
Total Department of Transportation				
Equal Employment Opportunity Commission				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	6FLSLP0006	611,585	-
			611,585	-
Total Equal Employment Opportunity Commission				
General Services Administration				
Donation of Federal Surplus Personal Property	39.003	SFY 07	252,119	-
Election Reform Payments	39.011	SFY04	241,118	-
			493,237	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Grants to Organizations and Individuals	45.024	05-5500-7122	\$ 9,925	\$ 9,925
Promotion of the Arts_Partnership Agreements	45.025	06-6100-2055	573,300	573,300
Promotion of the Humanities_Federal/State Partnership	45.129	2007-19	500	-
Grants to States	45.310	LS-00-05-0029-05	582,798	143,066
Grants to States	45.310	LS-00-05-0029-06	1,014,041	594,612
Grants to States	45.310	LS-00-07-0029-07	25,990	18,467
Grants to States	45.310	LSTA 2005-23	8,930	-
			1,631,759	756,145
National Leadership Grants	45.312	RE-01-03-0051-03	49,549	40,749
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0023-06	17,022	-
			2,282,055	1,380,119
Total National Foundation on the Arts and the Humanities				
Department of Veterans Affairs				
State Cemetery Grants	64.203	01-C07 NV02-09	1,018,337	-
			1,018,337	-
Total Department of Veterans Affairs				
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-9693501	39,898	7,500
Water Pollution Control_State and Interstate Program Support	66.419	I-97933606	635,591	-
Water Pollution Control_State and Interstate Program Support	66.419	I-97933706	293,504	-
			929,095	-
State Public Water System Supervision	66.432	F-009105106-1	651,948	-
State Underground Water Source Protection	66.433	G-00945605	112,603	-
State Underground Water Source Protection	66.433	G-00945607	94,860	-
			207,463	-
Water Quality Management Planning	66.454	C6-97965904	40,000	-
Water Quality Management Planning	66.454	C6-98950106	143,639	-
			183,639	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000104-0	164,862	164,862
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000105	449,024	449,024
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000106-0	1,583,433	1,583,433
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000107	1,890,100	1,890,100
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-00-0	59,780	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000101	174,657	-
			4,321,856	4,087,419

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Nonpoint Source Implementation Grants	66.460	C9-97908101	39,376	-
Nonpoint Source Implementation Grants	66.460	C9-97908102	132,495	-
Nonpoint Source Implementation Grants	66.460	C9-97908104	413,180	-
Nonpoint Source Implementation Grants	66.460	C9-97908105	169,545	-
Nonpoint Source Implementation Grants	66.460	C9-97908106	913,196	-
Nonpoint Source Implementation Grants	66.460	C9-97908107	5,073	-
			<u>1,672,865</u>	-
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	T-96954301	33,656	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996003	60,115	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996005	6,906,973	5,780,023
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996006	450,447	-
			<u>7,417,535</u>	<u>5,780,023</u>
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT-96900301	120,359	-
Performance Partnership Grants	66.605	BG-97958801-3	1,732,517	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83195801	65,443	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83260801	207,933	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83303601	29,191	-
			<u>302,567</u>	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915405-0	133	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915406	124,401	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915407	199,341	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959505-0	194	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959506-0	3,328	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959507-0	20,554	-
			<u>347,951</u>	-
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V97903801-1	35,832	-
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V96973601-1	166,654	-
			<u>202,486</u>	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-96952301	690,889	-
Solid Waste Management Assistance Grants	66.808	X1-97982001	610	-
State and Tribal Response Program Grants	66.817	RP-97963601	997,737	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96941701	4,749	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96953101	222,745	-
			227,494	-
Environmental Policy and State Innovation Grants	66.940	EI-96901101	1,318	-
Total Environmental Protection Agency			20,081,883	9,874,942
Department of Energy				
State Energy Program	81.041	DE-FG51-05R021610	373,606	35,746
Weatherization Assistance for Low-Income Persons	81.042	DE-FG51-03R021432	952,249	835,864
Nuclear Waste Disposal Siting	81.065	YUCCA MTN FFY2006 APPROPRIATION ACT	2,594,068	-
Office of Environmental Cleanup and Acceleration	81.104	DE-FG08-99NV13568	493,371	-
Office of Environmental Cleanup and Acceleration	81.104	DE-FG32-99NV13568	10,000	-
			503,371	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-FG51-04R021597	12,542	11,000
State Energy Program Special Projects	81.119	DE-FC51-02R021392	10,520	10,520
State Energy Program Special Projects	81.119	DE-FG36-04R021579	118,481	115,461
			129,001	125,981
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	886,335	886,335
Miscellaneous Federal Activities Actions	81.502	DE-FG52-99NV13569	143,041	-
			1,029,376	886,335
Total Department of Energy			5,594,213	1,894,926
Department of Education				
Special Education CLUSTER				
Special Education_Grants to States	84.027	H027A040043	59	59
Special Education_Grants to States	84.027	H027A050043	12,754,522	12,468,497
Special Education_Grants to States	84.027	H027A060043A	46,475,987	45,819,504
Special Education_Grants to States	84.027	H027A60043 (sub)	14,438	-
			59,245,006	58,288,060

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Special Education_Preschool Grants	84.173	07-2715-63	1,500	-
Special Education_Preschool Grants	84.173	H173A040046	4	4
Special Education_Preschool Grants	84.173	H173A050046	579,400	577,390
Special Education_Preschool Grants	84.173	H173A060046	2,034,169	1,923,204
			<u>2,615,073</u>	<u>2,500,598</u>
Total Special Education CLUSTER			<u>61,860,079</u>	<u>60,788,658</u>
Adult Education_State Grant Program	84.002	V002A040028	4,186	-
Adult Education_State Grant Program	84.002	V002A050028	625,475	464,395
Adult Education_State Grant Program	84.002	V002A060028	3,701,936	3,647,625
			<u>4,331,597</u>	<u>4,112,020</u>
Title I Grants to Local Educational Agencies	84.010	S010A040028	124,277	96,823
Title I Grants to Local Educational Agencies	84.010	S010A050028	24,270,367	23,714,528
Title I Grants to Local Educational Agencies	84.010	S010A060028A	51,243,639	51,243,639
			<u>75,638,283</u>	<u>75,054,990</u>
Migrant Education_State Grant Program	84.011	S011A040028	7,317	5,103
Migrant Education_State Grant Program	84.011	S011A050028	137,022	119,383
			<u>144,339</u>	<u>124,486</u>
Title I Program for Neglected and Delinquent Children	84.013	S013A040028	1,493	-
Title I Program for Neglected and Delinquent Children	84.013	S013A050028	12,847	9,996
Title I Program for Neglected and Delinquent Children	84.013	S013A060028	136,909	135,126
			<u>151,249</u>	<u>145,122</u>
Vocational Education_Basic Grants to States	84.048	07-2676-02	29,588	-
Vocational Education_Basic Grants to States	84.048	V048A050028	1,215,776	645,101
Vocational Education_Basic Grants to States	84.048	V048A060028	7,146,929	6,932,425
			<u>8,392,293</u>	<u>7,577,526</u>
Leveraging Educational Assistance Partnership	84.069	N069A060030	82,060	82,060
Leveraging Educational Assistance Partnership	84.069	N069B060018	68,146	68,146
			<u>150,206</u>	<u>150,206</u>
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A060041D	8,362,350	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A070041	6,983,395	-
			<u>15,345,745</u>	<u>-</u>
Migrant Education_Coordination Program	84.144	S144F040028	7,676	7,676
Migrant Education_Coordination Program	84.144	S144F050028	210,586	202,645
			<u>218,262</u>	<u>210,321</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Rehabilitation Services_Client Assistance Program	84.161	H161A060029	75,071	-
Rehabilitation Services_Client Assistance Program	84.161	H161A070029	63,296	-
			138,367	-
Independent Living_State Grants	84.169	H169A060013	171,455	-
Independent Living_State Grants	84.169	H169A070013	147,154	-
			318,609	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B060028	11,869	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B070028	157,168	-
			169,037	-
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A050019	2,190,043	120,575
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A060019	2,525,844	370,640
			4,715,887	491,215
Byrd Honors Scholarships	84.185	P185A050030	117,077	-
Byrd Honors Scholarships	84.185	P185A060030	195,674	-
			312,751	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A050029	473,952	462,578
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A060029	860,747	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B050030	267,904	267,904
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B060030	219,704	219,704
			1,822,307	950,186
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A060042A	195,641	-
Education for Homeless Children and Youth	84.196	S196A040029	14,022	14,022
Education for Homeless Children and Youth	84.196	S196A050029	158,930	106,117
Education for Homeless Children and Youth	84.196	S196A060029	206,214	206,214
			379,166	326,353
Even Start_State Educational Agencies	84.213	S213A040029	63,615	63,615
Even Start_State Educational Agencies	84.213	S213A050029	866,146	812,614
			929,761	876,229
Fund for the Improvement of Education	84.215	R215V020031	532,831	259,000
Assistive Technology	84.224	H224A060028A	325,201	187,249
Assistive Technology	84.224	H224A070028B	46,996	45,270
			372,197	232,519

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures		Payments to Subrecipients	
			\$		\$	
Tech-Prep Education	84.243	V243A050028	67,725		37,484	
Tech-Prep Education	84.243	V243A060028	634,264		628,766	
			701,989		666,250	
Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265	H265A050017	16,644		-	
Charter Schools	84.282	U282A050003	2,781,726		2,684,720	
Twenty-First Century Community Learning Centers	84.287	S287A060028	2,149,647		2,149,647	
Twenty-First Century Community Learning Centers	84.287	S287C040028	102,859		27,736	
Twenty-First Century Community Learning Centers	84.287	S287C050028	3,177,989		3,054,368	
			5,430,495		5,231,751	
Innovative Education Program Strategies	84.298	S298A040028	74,143		34,221	
Innovative Education Program Strategies	84.298	S298A050028	808,287		682,690	
Innovative Education Program Strategies	84.298	S298A060028	247,683		247,683	
			1,130,113		964,594	
Education Technology State Grants	84.318	S318X040028	109,908		97,112	
Education Technology State Grants	84.318	S318X050028	1,251,492		1,175,058	
Education Technology State Grants	84.318	S318X060028	288,626		270,863	
			1,650,026		1,543,033	
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A020006	600,103		468,844	
Advanced Placement Program	84.330	S330B070002	22,490		22,490	
Advanced Placement Program	84.330	U330B030005	1,548		1,548	
Advanced Placement Program	84.330	U330C040121	357,652		305,659	
			381,690		329,697	
Grants to States for Incarcerated Youth Offenders	84.331	Q331A040029	51,266		-	
Comprehensive School Reform Demonstration	84.332	S332A040029	501,621		501,552	
Comprehensive School Reform Demonstration	84.332	S332A050029	544,334		509,684	
			1,045,955		1,011,236	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A010009	266,002		195,785	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	1,057,066		853,252	
			1,323,068		1,049,037	
Reading First State Grants	84.357	S357A040029	2		-	
Reading First State Grants	84.357	S357A050029	3,323,742		2,987,728	
Reading First State Grants	84.357	S357A060029	3,273,173		2,531,367	
			6,596,917		5,519,095	

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
English Language Acquisition Grants	84.365	T365A050028	1,779,295	1,538,976
English Language Acquisition Grants	84.365	T365A060028	7,207,520	7,207,007
			8,986,815	8,745,983
Mathematics and Science Partnerships	84.366	S366A050029	485,134	438,395
Mathematics and Science Partnerships	84.366	S366A060029	332,500	332,500
Mathematics and Science Partnerships	84.366	S366B040029	266,051	266,051
			1,083,685	1,036,946
Improving Teacher Quality State Grants	84.367	S367A040027	119	-
Improving Teacher Quality State Grants	84.367	S367A050027	5,161,168	4,840,262
Improving Teacher Quality State Grants	84.367	S367A060027A	12,034,928	11,676,372
			17,196,215	16,516,634
Grants for State Assessments and Related Activities	84.369	S369A040029	126,445	1,133
Grants for State Assessments and Related Activities	84.369	S369A050029	4,624,041	1,058,887
Grants for State Assessments and Related Activities	84.369	S369A060029	728,183	55,000
			5,478,669	1,115,020
Special Education_Technical Assistance on State Data Collection	84.373	H373X060015	104,257	75,000
Hurricane Education Recovery	84.938	S938C060013	499,778	499,778
			231,178,018	198,756,449
Total Department of Education				
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	2004-018	4,330	-
National Historical Publications and Records Grants	89.003	NAR06GRANT-087	3,291	-
			7,621	-
			7,621	-
Total National Archives and Records Administration				
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	HAVA-FY05	1,547,008	-
			1,547,008	-
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	0322-06-06	80,896	-
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	05-AA-NV-T3SP	156,552	156,552
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	06-AA-NV-T3SP	2,376,629	2,337,187
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	07-AA-NV-T3SP	280,949	280,949
			2,895,026	2,774,688

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	04-AA-NV-T3SP	944	944
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	05-AA-NV-T3SP	320,321	320,321
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	06-AA-NV-T3SP	351,073	174,303
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	06-AA-NV-T3SP (C-2)	779,436	779,436
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	07-AA-NV-T3SP	2,165,080	1,661,060
			3,616,854	2,936,064
Nutrition Services Incentive Program	93.053	06AANVNSIP	297,971	297,971
Nutrition Services Incentive Program	93.053	07AANVNSIP	312,421	312,421
Nutrition Services Incentive Program	93.053	SFY 01	150,637	150,637
			761,029	761,029
Total Aging CLUSTER			7,272,909	6,471,781
Child Care CLUSTER				
Child Care and Development Block Grant	93.575	G0601NVCCDF	11,678,656	-
Child Care and Development Block Grant	93.575	G0701NVCCDF	4,614,680	-
			16,293,336	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0601NVCCDF	7,350,560	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0701NVCCDF	7,603,624	-
			14,954,184	-
Total Child Care CLUSTER			31,247,520	-
Medicaid CLUSTER				
State Medicaid Fraud Control Units	93.775	01-0601-NV-5050	168,475	-
State Medicaid Fraud Control Units	93.775	01-0701-NV-5050	897,341	-
			1,065,816	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5000	381,017	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5001	153,365	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0605-NV-5002	50,133	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0705-NV-5000	1,139,271	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0705-NV-5001	406,409	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0705-NV-5002	95,750	-
			2,225,945	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Medical Assistance Program	93.778	05-0605NV5028 (MAP)	\$ 182,162,768	\$ -
Medical Assistance Program	93.778	05-0605NV5048 (ADM)	8,716,251	-
Medical Assistance Program	93.778	05-0705NV5028 (MAP)	500,000,711	-
Medical Assistance Program	93.778	05-0705NV5048 (ADM)	25,712,847	-
			<u>716,592,577</u>	-
Total Medicaid CLUSTER			719,884,338	-
Public Health and Social Services Emergency Fund	93.003	1 U3RMC03898-01-01	6,784	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	06-AA-NV-T7SP	7,275	-
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	07-AA-NV-T7SP	26,952	-
			<u>34,227</u>	-
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	06-AA-NV-T7SP	38,935	11,293
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	07-AA-NV-T7SP	67,592	3,019
			<u>106,527</u>	<u>14,312</u>
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	05-AA-NV-T3SP	7,642	7,642
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	06-AA-NV-T3SP	141,872	141,872
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	07-AA-NV-T7SP	67,592	3,019
			<u>217,106</u>	<u>152,533</u>
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90 AM 3056	132,596	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90AM3004/01	125,823	42,543
			<u>258,419</u>	<u>42,543</u>
Alzheimer's Disease Demonstration Grants to States	93.051	90AZZ784/03	310,361	307,379
National Family Caregiver Support	93.052	04-AA-NV-T3SP	120,020	26,488
National Family Caregiver Support	93.052	05-AA-NV-T3SP	248,615	248,615
National Family Caregiver Support	93.052	06-AA-NV-T3SP	830,804	823,636
National Family Caregiver Support	93.052	07-AA-NV-T3SP	85,992	85,992
			<u>1,285,431</u>	<u>1,184,731</u>
Maternal and Child Health Federal Consolidated Programs	93.110	2 H25MC00229-03-00	8,532	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-13	45,839	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H25MC00229-04	72,575	-
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-14-02	33,224	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA		Award or Pass- Through Number	Expenditures	Payments to Subrecipients
	Number	Through Number			
Maternal and Child Health Federal Consolidated Programs	93.110	6 H47MC02012-03		\$ 48,369	\$ -
Maternal and Child Health Federal Consolidated Programs	93.110	6 H47MC02012-04-01		25,000	-
				233,539	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU907855-15		324,499	258,183
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU907855-16		237,266	180,589
				561,765	438,772
Emergency Medical Services for Children	93.127	1 H33MC06694-01		39,098	21,607
Emergency Medical Services for Children	93.127	6 H33MC06694-02-01		23,525	11,487
				62,623	33,094
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060029-05		201,670	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060029-06		181,898	-
				383,568	-
Family Planning_Services	93.217	6 FPHPA091175-31		657,996	106,309
Traumatic Brain Injury State Demonstration Grant Program	93.234	1 H21MC06753-01-00		31,208	-
Traumatic Brain Injury State Demonstration Grant Program	93.234	4 P05MC04381-01-01		10,572	6,582
Traumatic Brain Injury State Demonstration Grant Program	93.234	6 H21MC06753-02-01		14,596	7,942
				56,376	14,524
Abstinence Education Program	93.235	G-0501NVAEGP		85,718	49,932
Abstinence Education Program	93.235	G-0601NVAEGP		132,096	61,274
Abstinence Education Program	93.235	G-0701NVAEGP		21,013	-
				238,827	111,206
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	6 URI T114600-03		17,056	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	4 H79 SM55181-02-2		4,170	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	4 U79 SP09960-03-3		3,606,279	3,476,161
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 HR1 SM56616-02		116,573	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 HS5 SM56551-01		192,363	170,841
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 HS5 SM56551-02		234,980	104,505
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 HS5 SM56551-03		474,370	58,800
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	6 HR1 SM56616-03-2		77,920	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	6 U79 SP11179-02-1	\$ 91,961	\$ -
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	6 U79 SP11179-03-1	257,848	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	U9SM57416A	451,418	-
Universal Newborn Hearing Screening	93.251	2 H61MC00096-05	<u>5,507,882</u>	<u>3,810,307</u>
Universal Newborn Hearing Screening	93.251	5 H61MC00096-04	60,867	-
			454	-
			<u>61,321</u>	-
Immunization Grants	93.268	Direct Assistance	24,168,125	-
Immunization Grants	93.268	H23/CCH922549-04	1,585,396	772,848
Immunization Grants	93.268	H23/CCH922549-05	1,216,166	634,641
			<u>26,969,687</u>	<u>1,407,489</u>
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	1-U50/C1000489-01 (sub)	10,422	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50 C1000489-01	77,477	69,156
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50/CCU 922450-01 (sub)	10,694	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50/CCU919685-05	517,869	448,744
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50/CCU919685-05 (sub)	15,800	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50/CCU919685-05 -02 (sub)	186,929	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50/CCU922450-01 (sub)	9,745	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50/CCU922450-03	130,081	80,454
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U55/CCU922006-04	53,919	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U55/CCU922006-05	3,024,551	128,475
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U58/CCU922830-03	176,243	152,243
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U58/CCU922830-04	1,712,019	691,340
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U90/CCU916964-06	5,037,382	2,316,231
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U90/CCU916964-07	5,822,413	4,123,443
			<u>16,785,564</u>	<u>8,010,086</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Promoting Safe and Stable Families	93.556	G-0501NV00FP	515,903	477,627
Promoting Safe and Stable Families	93.556	G-0601NV00FP	1,166,176	1,046,929
			<u>1,682,079</u>	<u>1,524,556</u>
Temporary Assistance for Needy Families	93.558	G-0501NVTANF	17,003	-
Temporary Assistance for Needy Families	93.558	G-0601NVTANF	34,480,410	-
Temporary Assistance for Needy Families	93.558	G-0701NVTANF	7,074,297	-
			<u>41,571,710</u>	<u>-</u>
Child Support Enforcement	93.563	G060NV4004	10,372,793	7,395,851
Child Support Enforcement	93.563	G07NV4004	17,607,424	9,756,181
			<u>27,980,217</u>	<u>17,152,032</u>
Low Income Home Energy Assistance	93.568	G-06B1NVLIEA	5,286,014	-
Low Income Home Energy Assistance	93.568	G-07B1NVLIEA	2,032,391	-
			<u>7,318,405</u>	<u>-</u>
Community Services Block Grant	93.569	G-06B1NVCOSR	3,280,875	3,118,397
Community Services Block Grant	93.569	G-07B1NVCOSR	504,666	504,666
			<u>3,785,541</u>	<u>3,623,063</u>
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/01	20,080	20,080
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/02	44,920	-
			<u>65,000</u>	<u>20,080</u>
State Court Improvement Program	93.586	G-0401NVSCIP	51,963	-
State Court Improvement Program	93.586	G-0501NVSCIP	148,064	-
State Court Improvement Program	93.586	G-0601NVSCID	7,440	-
State Court Improvement Program	93.586	G-0601NVSCIT	4,973	-
			<u>212,440</u>	<u>-</u>
Community-Based Child Abuse Prevention Grants	93.590	G-0601NVFRPG	475,050	382,436
Grants to States for Access and Visitation Programs	93.597	G-0501NVSAVP	37,896	-
Grants to States for Access and Visitation Programs	93.597	G-0601NVSAVP	34,620	-
			<u>72,516</u>	<u>-</u>
Chafee Education and Training Vouchers Program (ETV)	93.599	0501NVCETV	54,044	54,044
Chafee Education and Training Vouchers Program (ETV)	93.599	0601NVCETV	246,315	246,315
			<u>300,359</u>	<u>300,359</u>
Head Start	93.600	09CD0001/06	81,330	-
Head Start	93.600	G-09CD0001/09	48,605	-
			<u>129,935</u>	<u>-</u>

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures \$	Payments to Subrecipients \$
Adoption Incentive Payments	93.603	0601NVAI99	179,853	149,748
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	93.618	HAVA	131,738	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0601NVADBS	363,153	101,595
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0701NVADBS	40,011	36,641
			403,164	138,236
Children's Justice Grants to States	93.643	G-0301NVCAJA1	56,775	56,775
Children's Justice Grants to States	93.643	G-0401NVCAJA1	75,953	63,622
Children's Justice Grants to States	93.643	G-0501NVCAJA1	60,987	-
			193,715	120,397
Child Welfare Services_State Grants	93.645	G-0601-NV-1400	565,063	62,005
Child Welfare Services_State Grants	93.645	G-0701-NV-1400	1,716,344	266,014
			2,281,407	328,019
Foster Care_Titile IV-E	93.658	0601NV1401	6,425,465	3,632,663
Foster Care_Titile IV-E	93.658	0701NV1401	21,281,507	14,912,277
			27,706,972	18,544,940
Adoption Assistance	93.659	0601NV1407	844,147	844,147
Adoption Assistance	93.659	0701NV1407	7,915,618	7,168,288
			8,759,765	8,012,435
Social Services Block Grant	93.667	G-0601NVSOS2	55,407	-
Social Services Block Grant	93.667	G-0601NVSOSR	4,780,887	-
Social Services Block Grant	93.667	G-0701NVSOSR	8,424,479	1,169,616
Social Services Block Grant	93.667	G-0702NVTANF	1,075,161	-
			14,335,934	1,169,616
Child Abuse and Neglect State Grants	93.669	G-0301NVCA01	118,285	12,801
Child Abuse and Neglect State Grants	93.669	G-0401NVCA01	41,022	26,128
			159,307	38,929
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0401NVFVPS	7,652	7,652
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0501NVFVPS	318,914	314,418
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0601NVFVPS	851,694	828,483
			1,178,260	1,150,553
Chafee Foster Care Independence Program	93.674	G-0501NV1420	215,028	211,516
Chafee Foster Care Independence Program	93.674	G-0601NV1420	477,254	466,512
			692,282	678,028

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
State Children's Insurance Program	93.767	05-0405NV5021	\$ 6,286,556	\$ -
State Children's Insurance Program	93.767	05-0505NV5021	22,902,912	-
			29,201,468	-
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	92412	354,200	-
Pilot Program for National and State Background Checks--Direct Patient Access for Long-Term Care	93.785	11-P-93035/9	7,509	-
State Pharmaceutical Assistance Programs	93.786	50605NVSPAP	18,380	-
National Bioterrorism Hospital Preparedness Program	93.889	1 U3RHS07557-01	1,161,525	577,658
National Bioterrorism Hospital Preparedness Program	93.889	4 U3RHS05935-01-01	2,090,514	1,813,100
			3,252,039	2,390,758
HIV Care Formula Grants	93.917	6 X07HA00001-16-01	5,890,412	5,207,839
HIV Care Formula Grants	93.917	6 X07HA00001-17-03	739,436	578,863
			6,629,848	5,786,702
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/CCU922631-04-01	173,074	14,612
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/CCU922631-05	81,338	13,900
			254,412	28,512
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-03	2,163,192	1,903,316
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-04	1,219,671	901,816
			3,382,863	2,805,132
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/CCU923570-03-4	827,814	614,645
Block Grants for Community Mental Health Services	93.958	05 B1 NV CMHS	71,149	-
Block Grants for Community Mental Health Services	93.958	06 B1 NV CMHS	776,042	-
Block Grants for Community Mental Health Services	93.958	06 B1 NV CMHS-04	151,689	-
Block Grants for Community Mental Health Services	93.958	CMHS 9395804 (sub)	1,804,112	222,901
			2,802,992	222,901
Block Grants for Prevention and Treatment of Substance Abuse	93.959	05B1NVSAPT-04	260,595	260,594
Block Grants for Prevention and Treatment of Substance Abuse	93.959	06B1NVSAPT-01	8,186,625	7,103,770
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B1NVSAPT-07-3	5,929,388	5,462,769
			14,376,608	12,827,123

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25/CCH904368-15	332,834	262,729
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25/CCH904368-16	149,177	79,651
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	U32/CCU922683-04	482,011	342,380
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	U32/CCU922683-05	67,425	12,336
Preventive Health and Health Services Block Grant	93.991	2005-B1-NV-PRVS-01	321,375	98,948
Preventive Health and Health Services Block Grant	93.991	2005-B1-NV-PRVS-01	102,070	-
Preventive Health and Health Services Block Grant	93.991	2006-B1-NV-PRVS-01	172,631	3,031
Preventive Health and Health Services Block Grant	93.991	2007-B1-NV-PRVS-01	29,038	-
Maternal and Child Health Services Block Grant to the States	93.994	06B1NVMCHS	303,739	3,031
Maternal and Child Health Services Block Grant to the States	93.994	06B1NVMCHS	1,052,983	10,208
Maternal and Child Health Services Block Grant to the States	93.994	07B1NVMCHS	782,643	21,479
			1,835,626	31,687
Total Department of Health and Human Services			1,015,826,359	100,590,312
Corporation for National & Community Service				
Learn and Serve America_School and Community Based Programs	94.004	06KSPNV001	109,269	109,269
Total Corporation for National & Community Service			109,269	109,269
Social Security Administration				
Disability Insurance/SSI CLUSTER				
Social Security_Disability Insurance	96.001	04-0604NVD100	2,603,901	-
Social Security_Disability Insurance	96.001	04-0704NVD100	8,288,598	-
			10,892,499	-
Total Disability Insurance/SSI CLUSTER			10,892,499	-
Total Social Security Administration			10,892,499	-
Department of Homeland Security				
Homeland Security CLUSTER				
State Domestic Preparedness Equipment Support Program	97.004	2003-MU-T3-0052	437,698	77,832
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0197	162,793	127,528
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0052	5,254,954	4,900,763
			5,855,445	5,106,123
Homeland Security Grant Program	97.067	2005-GE-T5-0039	7,995,834	7,249,634
Homeland Security Grant Program	97.067	2006-GE-T6-0029	2,362,515	2,012,766
			10,358,349	9,262,400

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
			\$	\$
State Homeland Security Program (SHSP)	97.073	SHSGP	615	-
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	97074LS5	38,930	-
Total Homeland Security CLUSTER			16,253,339	14,368,523
Urban Areas Security Initiative	97.008	2004-TU-T4-0028	644,546	644,104
Boating Safety Financial Assistance	97.012	17.01.32	1,157,925	-
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2005-PC-0003	29,899	-
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2006-PC-0006	9,326	-
			39,225	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2006-GR-0604	29,601	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2007-GR-0704	26,697	-
			56,298	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E003	750	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E004	7,440	-
Flood Mitigation Assistance	97.029	EMF-2005-FM-E007	3,085	-
			11,275	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006	498	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1153-DR-NV	6,315	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR	158,972	156,090
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	1,396,954	1,367,500
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3243-DR	99,020	99,020
			1,661,759	1,622,610
Hazard Mitigation Grant	97.039	97039HM	25,851	-
Hazard Mitigation Grant	97.039	EMF-2004-MP-4006	67,265	7,542
Hazard Mitigation Grant	97.039	FEMA-1583-DR	2,430	-
Hazard Mitigation Grant	97.039	FEMA-1629-DR	1,442	-
			96,988	7,542
National Dam Safety Program	97.041	EMW-2003-GR-0367	28,871	-
National Dam Safety Program	97.041	EMW-2006-ND-0182	28,507	-
			57,378	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass- Through Number	Expenditures	Payments to Subrecipients
Emergency Management Performance Grants	97.042	2006-EM-E6-0009	\$ 730,746	\$ 723,320
Emergency Management Performance Grants	97.042	2007-EM-E7-0056	1,132,034	580,957
			<u>1,862,780</u>	<u>1,304,277</u>
State Fire Training Systems Grants	97.043	EME-2004-GR-0298	3,903	-
State Fire Training Systems Grants	97.043	EME-2006-GR-0249	19,447	-
			<u>23,350</u>	<u>-</u>
Fire Management Assistance Grant	97.046	Disaster #2648	888,982	-
Fire Management Assistance Grant	97.046	Disaster #2649	22,898	22,898
Fire Management Assistance Grant	97.046	Disaster #2650	22,951	22,951
Fire Management Assistance Grant	97.046	Disaster #2664	212,783	212,783
Fire Management Assistance Grant	97.046	Disaster #2670	582,429	-
			<u>1,740,043</u>	<u>258,632</u>
Map Modernization Management Support	97.070	EMF-2005-GR-0505	27,808	-
Buffer Zone Protection Plan (BZPP)	97.078	2005-GR-T5-0059	387,863	387,863
			<u>24,020,577</u>	<u>18,593,551</u>
Total Department of Homeland Security			<u>2,301,281,027</u>	<u>497,331,306</u>
Total Federal Financial Assistance				

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

3. FOOD STAMP PROGRAM (10.551)

The expenditures reported for the Food Stamp program consist of the value of the benefits transferred to program participants through the EBT system.

4. UNEMPLOYMENT INSURANCE PROGRAM (17.225)

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

State Funds	\$295,628,942
Federal Funds	<u>24,255,750</u>
Total Reported	<u>\$319,884,692</u>

5. IMMUNIZATION GRANTS PROGRAM (93.268)

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

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

The expenditures for this program include the cost of food vouchers in the amount of \$17,749,730.

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

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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, 2007
2. A significant deficiency was 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 the OMB Circular A-133, are reported in Part C of this Schedule.
7. The programs tested as major programs included:

U.S. Department of Agriculture:

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

U.S. Department of Defense:

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

U.S. Department of Housing and Urban Development:

Community Development Block Grants/State's Program, CFDA 14.228

U.S. Department of the Interior:

Fish and Wildlife Cluster:
Sport Fish Restoration, CFDA 15.605
Wildlife Restoration, CFDA 15.611

U.S. Department of Labor:

Employment Services Cluster:
Employment Service/Wagner-Peyser Funded Activities, CFDA 17.207
Disabled Veterans' Outreach Program, CFDA 17.801
Local Veterans' Employment Representative Program, CFDA 17.804

Environmental Protection Agency:

Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

U.S. Department of Education:

Title I Grants to Local Educational Agencies, CFDA 84.010
Vocational Education_Basic Grants to States, CFDA 84.048
Twenty-First Century Community Learning Centers, CFDA 84.287
Reading First State Grants, CFDA 84.357
English Language Acquisition Grants, CFDA 84.365
Improving Teacher Quality State Grants, CFDA 84.367

U.S. Department of Health and Human Services:

Immunization Grants, CFDA 93.268
Centers for Disease Control and Prevention_ Investigations and Technical Assistance,
CFDA 93.283
Temporary Assistance For Needy Families, CFDA 93.558
Low Income Home Energy Assistance, CFDA 93.568
Community Services Block Grant, CFDA 93.569
Medicaid Cluster:
Hurricane Katrina Relief Program, CFDA 93.776
Medical Assistance Program, CFDA 93.778
State Medicaid Fraud Control Units, CFDA 93.775
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777
Foster Care_Title IV-E, CFDA 93.658
Adoption Assistance, CFDA 93.659
State Children's Insurance Program, CFDA 93.767

U.S. Department of Homeland Security:

Homeland Security Cluster:
State Domestic Preparedness Equipment Support Program, CFDA 97.004
Homeland Security Grant Program, CFDA 97.067

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2007, was \$6,903,843.
9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2007 under the criteria set forth in Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

See page 109.

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

See pages 110 through

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Findings Relating to the Financial Statements Reported in Accordance with GAGAS:

Finding 07-1

<i>Criteria and Condition:</i>	Statement No. 28 issued by the Governmental Accounting Standards Board requires a government to disclose in a note to the financial statements, the amount of securities on loan when the government participates in a securities lending program. The financial statement note disclosures prepared by the State included a statement that there were no securities on loan, when, in fact, there were more than \$1 billion on loan at June 30, 2007.
<i>Effect:</i>	The disclosures in the notes to the financial statements were not accurate and did not support the information in the financial statements.
<i>Cause:</i>	There was a miscommunication between the Controller's Office and the Treasurer's Office relative to the securities lending disclosures.
<i>Recommendation:</i>	We recommend the two offices resolve the communication issues relative to securities lending disclosures.
<i>Management's Response:</i>	The two offices have agreed to ensure that information is transmitted in a format that provides an audit trail and provides evidence of delivery.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

U.S. DEPARTMENT OF AGRICULTURE:

Finding 07-2:

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

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

Criteria and Condition: The OMB Circular A-133 Compliance Supplement provides that a State agency operating a retail food delivery system is required to account for the disposition of all food instruments within 150 days, prior to March 27, 2007, and 120 days, on or after March 27, 2007.

During our testing of the State's accounting of the disposition of food instruments issued for February 2007, we noted that procedures for accounting for them were not performed within 150 days.

Questioned Costs: Undeterminable.

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

Effect: Fraudulent use of food instruments could result in unallowable costs and not be detected.

Cause: The Health Division did not have adequate policies and procedures in place to ensure that the dispositions of all food instruments were accounted for within the required timeframe.

Recommendation: We recommend the Health Division implement policies and procedures to account for the disposition of food instruments in a timely manner.

Management's Response: See management's response on pages 111 and 112.

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

State Health Officer

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

4150 Technology Way, Suite 300
Carson City, NV 89706

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

March 13, 2008

Mr. Rich Proulx, Administrator
United States Department of Agriculture
Food and Nutrition Service
90 Seventh Street, Suite 10-100
San Francisco, CA 94103

Dear Mr. Proulx:

The following response is provided regarding the findings and observations made by the auditors of Kafoury, Armstrong & Co. during their review of the Nevada WIC Program.

U.S. Department of Agriculture

Finding 07-2:

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

Criteria and Condition:

The OMB Circular A-133 Compliance Supplement provides that a State agency operating a retail food delivery system is required to account for the disposition of all food instruments within 150 days, prior to March 27, 2007, and 120 days, on or after March 27, 2007.

During our testing of the State's accounting of the disposition of food instruments issued for February 2007, we noted that procedures for accounting for them were not performed within 150 days.

Recommendation:

We recommend the Health Division implement procedures to account for the disposition of food instruments in a timely manner.

WIC Response:

This condition was the direct result of an information technology problem identified by the program in late May 2007. It was brought to the attention of FNS during their June 2007 STAR visit that the WIC FoxPro database could not be fully reconciled, necessitating a recovery of participant data for each of Nevada's forty-one (41) WIC clinics. To accomplish this, WIC enlisted the support of the Nevada State Department of Information Technology (DoIT) and the Nevada State Health Division Office of Informatics and Technology (OIT) to assist in reviewing the methodology that would be necessary to recreate participant data.


Beginning June 2007, programming analysis/modification began to add new IT system processing rules. Concurrent with program modifications, actions were undertaken to coordinate with each WIC clinic to recreate participant data for the entire federal fiscal year, October 2006 through September 2007. By the first week of September 2007, participant data from each clinic was received and the recovery process had begun. This was completed in late October 2006, at which time the process of reconciling unmatched redemptions commenced. Reconciliation was complete by the middle of December 2007, with 100% reconciliation attained for all checks issued for the fiscal year.

Corrective Action:

WIC policies and procedures are in place for the accurate and timely reconciliation of unmatched redemptions within the required 120 day time frame. Unmatched redemptions for a given month are downloaded from the state database the following month and reconciled by state WIC personnel within 30 days. The entire process is accomplished within 60 days from the month of issuance and it has been determined that state WIC personnel should accomplish the reconciliations, rather than personnel from individual WIC clinics, so that adequate separation of duties is maintained and the opportunity for fraud is minimized.

Should you have any questions regarding this matter, please contact me at (775) 684-4226.

Sincerely,



Amy L. Roukie, MBA
Deputy Administrator
Nevada State Health Division

cc: Richard Whitley, Administrator, Nevada State Health Division
Judy Wright, Chief, Bureau of Family Health Services

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 07-3:

Temporary Assistance For Needy Families (TANF), CFDA 93.558:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.558 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Compliance Supplement for the TANF program states that “If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance”.

We obtained a list of case files where the TANF recipient was identified by the State’s IV-D agency as being non-cooperative with the Child Support Enforcement program through means of a system generated alert processed by the Nevada Operations of Multi-Automated Data System (NOMADS) during 2007. It is the State’s policy to terminate, rather than reduce, benefits in such cases. However, this policy was not uniformly adhered to.

Questioned Costs: Not determinable.

Context: The condition noted above appears to be an isolated incident. NOMADS identified numerous cases where the TANF recipient was identified by the State’s IV-D agency as being non-cooperative in 2007. Of the 25 cases selected from this population for testing, one case did not have TANF assistance terminated in response to the non-cooperation alert generated by NOMADS.

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

Cause: The case manager did not act on a NOMADS generated alert informing them the TANF recipient was not cooperating with the Child Support Enforcement program.

Recommendation:

We recommend the Division of Welfare and Supportive Services continue to reinforce compliance with existing policies related to case file management, specifically responding to non-cooperation alerts generated by NOMADS.

Management's Response:

See management's response on page 115.



JIM GIBBONS
Governor

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

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

MICHAEL J. WILLDEN
Director

NANCY KATHRYN FORD
Administrator

March 6, 2008

Ms. Tracy Donovan, Program Specialist
Administration for Children & Families, Region IX
90 7th St., 9th Floor
San Francisco, CA 94103

Dear Ms. Donovan:

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, 2007. Included in the audit was the grant for Temporary Assistance for Needy Families (TANF), CFDA 93.558. Kafoury, Armstrong's findings 07-3 concern this program.

Finding 07-3 resulted in the following recommendation:

We recommend the Division of Welfare and Supportive Services continue to reinforce compliance with existing policies related to case file management, specifically responding to non-cooperation alerts generated by NOMADS.

DWSS Response:

The Division of Welfare and Supportive Services has reviewed and agrees with this finding. Staff will continue to monitor adherence to policy through Internal Quality Control, Supervisory and Management Evaluation reviews. Internal monitoring has not identified any further instances of this type. Policy adherence will continue to be monitored and additional training will be provided if needed.

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

Sincerely,


Nancy Kathryn Ford
Administrator

cc: Timothy K. Brown, Audit Supervisor, Legislative Counsel Bureau
Romaine Gilliland, Deputy Administrator, Administrative Services
Gary Stagliano, Deputy Administrator, Program and Field Operations
Lynn Massell, Chief Accountant
Sue Smith, Chief, Budget and Statistics
Jeffrey Brenn, Chief, Eligibility and Payments
Laura King, Chief, Program Review and Evaluation
Jeanne Gregg, Auditor III, Program Review and Evaluation

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 07-4:

Immunization Grants, CFDA 93.268:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.268 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement requires that the Catalog of Federal Domestic Assistance (CFDA) title and number, along with the award name, the name of the Federal agency, and the amount of non-cash assistance be communicated to all subrecipients. Pass-through entities must also ensure that the subrecipients are aware of the audit requirements of OMB Circular A-133.</p> <p>During our review of the agreements with the providers who receive and dispense vaccines (non-cash assistance) as part of the Immunization Grants program, it was noted that the agreements included the CFDA title and number and a reference to the audit requirements. However, the Health Division did not communicate the amount of non-cash assistance to all subrecipients.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Many subrecipients are not including the value of vaccines received on their schedules of expenditures of federal awards, and as a result the appropriate grants may not be selected for audit.
<i>Cause:</i>	The Health Division did not have procedures in place to consistently provide the value of vaccines distributed to all subrecipients.
<i>Recommendation:</i>	We recommend that the Health Division implement procedures to communicate the value of vaccines distributed to all subrecipients.
<i>Management's Response:</i>	See management's response on pages 118 and 119.

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 07-5:

Immunization Grants, CFDA 93.268:
Centers for Disease Control and Prevention, Investigations and Technical Assistance, CFDA 93.283:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.268 and 93.283 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring 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 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.

Questioned Costs: None.

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

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

Cause: The Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.

Recommendation: We recommend the 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 response on pages 119 through 129.

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

State Health Officer

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

4150 Technology Way, Suite 300
Carson City, NV 89706

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

March 13, 2008

Ms. Mimi Larzelere, MPH
Project Officer, Program Operations Branch
Immunization Services Division/CDC
1600 Clifton Road, MS E-52
Atlanta, GA 30333

Dear Ms. Larzelere:

The following responses are provided regarding the findings and observations made by the auditors of Kafoury, Armstrong & Co. during their review of the Nevada Immunization Program.

U.S. Department of Health and Human Services

Finding 07-4:
Immunization Grants, CFDA 93.268

Criteria and Condition:

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

During our review of the agreements with the providers who receive and dispense vaccines (non-cash assistance) as part of the Immunization Grants program, it was noted that the agreements included in the CFDA title and number and a reference to the audit requirements. However, the Health Division did not communicate the amount of non-cash assistance to all subrecipients.

Recommendation:

We recommend the Health Division implement procedures to communicate the value of vaccines distributed to all subrecipients.

Immunization Response and Corrective Action:

The Immunization Program has immediately implemented the following procedures in order to communicate the value of vaccines distributed to all subrecipients:

- 1) The value of all vaccines are now included in the Vaccine Request Confirmation document that is provided to all subrecipients at the time vaccine requests are processed through the vaccine distributor. (Attachment A)
- 2) A detailed report of vaccines shipped and the value of vaccines shipped has been created. The report will be provided to all subrecipients on a bi-annual basis (January 1 through June 30; July 1 through December 31) or as often as requested by the subrecipients. (Attachment B)

Finding 07-5:

Immunization Grants, CFDA 93.268

Centers for Disease Control and Prevention, Investigations and Technical Assistance, CFDA 93.283

Criteria and Condition:

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 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.

Recommendation:

We recommend the 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.

Immunization Response and Corrective Action:

The Immunization Program will be implementing the following procedures to ensure that subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframes:

- 1) A communication (Attachment C) is being sent to all subrecipients informing them of the following:
 - The audit requirements of OMB Circular A-133.
 - That a copy of audits required by OMB Circular A-133 must be presented to the Health Division within nine (9) months of the end of the subrecipient's audit period.
 - The total value of all non-cash assistance (vaccines) provided to the subrecipients through the Immunization Program during calendar year 2007.
- 2) The Immunization Program will immediately begin collecting data from all subrecipients to determine whether or not they are required to prepare audits under OMB Circular A-133. (Attachment C)
 - This data will be collected from 100% of active, enrolled providers by April 30, 2008 and new providers as they are enrolled.
 - The Immunization Program will monitor this data to ensure that the required audits are presented to the Health Division within nine (9) months of the end of the subrecipients' audit periods.

- The Immunization Program will review the subrecipients' audit reports and issue management decisions on audit findings within 6 months of receipt of the reports.
 - The Immunization Program will ensure that the subrecipients take timely and appropriate corrective action on all audit findings.
 - The Immunization Management Analyst II will ensure that these procedures are fully implemented by May 15, 2008. Work Performance Standards will be adjusted to reflect these additional duties.
- 3) The following language will be added to the Provider Enrollment Agreement for the 2009 enrollment year under the heading "Immunization and Vaccines for Children Grants funding disclosure and audit requirements:"
- A copy of this audit must be presented to the Nevada State Health Division within nine (9) months of the end of your audit period.
(Attachment D)

Should you have any questions regarding this matter, please contact me at (775) 684-4226.

Sincerely,



Amy L. Roukie, MBA
Deputy Administrator
Nevada State Health Division

cc: Richard Whitley, Administrator, Nevada State Health Division
Maria Canfield, Chief, Bureau of Community Health



Attachment A
STATE of NEVADA
IMMUNIZATION PROGRAM
VACCINE REQUEST CONFIRMATION

Transmitted to CDC for approval on: 3/7/2008

Pin: 1008 Contact: KAREN BOYLES
CHN - MINERAL CNTY COMM HEALTH-HAWT
331 FIRST STREET,
HAWTHORNE NV 89415-0000

Ph: (775) 945-3657 Fax #: (775) 945-2039

Shipping Directions M, T, W, TH, F ; 8 TO 12 AND 1 TO 5

IF CONTACT, SHIPPING ADDRESS OR SHIPPING INSTRUCTIONS HAVE CHANGED, PLEASE CONTACT THE IMMUNIZATION PROGRAM IMMEDIATELY AT nviz@health.nv.gov or (775) 684-5939

<u>Doses</u>	<u>Vaccine</u>	<u>Description</u>		<u>Cost/Dose</u>	<u>Total Cost</u>
1. 10	HEP A	HEP A PEDS 10PK 1 DOSE VIAL	SKB	\$12.25	\$122.50
2. 10	PNU 7	10-PACK 1 DOSE SYRINGES	LED	\$62.14	\$621.40
*Total Value of Non-cash Federal Assistance:					\$743.90

****NOTE: ADJUSTMENTS MAY HAVE BEEN MADE TO ORIGINAL VACCINE REQUEST -- ANY QUESTIONS, PLEASE CONTACT LINDA PLATZ AT (775) 684-5913****

IMPORTANT NOTES:

- 1) IMMEDIATELY check temperature and condition of each package.
- 2) Place vaccines in refrigerator, Varicella in the freezer.
- 3) ROTATE vaccines, use the shortest dated vaccines FIRST.

PLEASE CALL THE IMMUNIZATION PROGRAM IMMEDIATELY AT (775) 684-5939 OR CONTACT US AT nviz@health.nv.gov REGARDING ANY DISCREPANCIES BETWEEN THIS CONFIRMATION AND WHAT YOU ACTUALLY RECEIVED. (INCLUDING LOT # DISCREPENCIES)

*If you are subject to the audit requirements of OMB Circular A-133, the amount of non-cash federal assistance represented by the value of the vaccine requested herein should be included in your Schedule of Expenditures of Federal Awards.

Ship Date	Vaccine	Mfr/Brand	Lot Number	Doses Shipped	Cost/Dose	Total Value
	Immunization Program PIN #: 1005	CHN - WHITE PINE COUNTY COMM HEALTH				
2/23/2007	PNU 7	LED	B08681D	10	\$57.59	\$575.90
1/23/2007	HEP A	MERCK	1213F	20	\$12.25	\$245.00
3/23/2007	TDAP	SKB	AC52B014BA	20	\$30.75	\$615.00
3/23/2007	TD	AVENTIS	U1786DA	20	\$16.62	\$332.40
3/23/2007	PNU 7	LED	B08679C	20	\$57.59	\$1,151.80
3/23/2007	MMR-V	MSD	0297U	30	\$74.85	\$2,245.50
3/23/2007	HEP B-PF	GLAXOSMI	AHBVB341AA	10	\$9.10	\$91.00
3/23/2007	HEP A	SKB	AHAVB148AA	40	\$12.25	\$490.00
3/23/2007	EIPV	AVENTIS	Z0547-2	20	\$10.82	\$216.40
3/23/2007	DTAPHBIP	SKB	AC21B096BA	20	\$43.75	\$875.00
3/23/2007	DTAP	SKB	AC14B046AA	20	\$13.25	\$265.00
5/30/2007	HEP A	SKB	AHAVB149AA	30	\$12.25	\$367.50
2/23/2007	TDAP	AVENTIS	C2644AA	20	\$30.75	\$615.00
5/30/2007	HIB	MSD	0077U	20	\$10.83	\$216.60
2/23/2007	HIB	MSD	1272F	10	\$10.62	\$106.20
2/23/2007	HEP A	SKB	AHAVB148AA	10	\$12.25	\$122.50
2/23/2007	EIPV	AVENTIS	Z0326-2	10	\$10.82	\$108.20
2/23/2007	DTAPHBIP	SKB	AC21B092BA	30	\$43.75	\$1,312.50
2/23/2007	DTAP	SKB	AC14B051BA	20	\$13.25	\$265.00

Report of Non-Cash Federal Assistance Received between January 1, 2007 and December 31, 2007

Ship Date	Vaccine	Mfr/Brand	Lot Number	Doses Shipped	Cost/Dose	Total Value
2/13/2007	HEP A	MSD	1281F	40	\$12.10	\$484.00
2/2/2007	PNU 7	LED	B08681D	30	\$57.59	\$1,727.70
2/2/2007	MIMR-V	MSD	1556F	20	\$74.85	\$1,497.00
2/2/2007	HIB	MSD	1272F	20	\$10.62	\$212.40
2/2/2007	HEP B-PF	MSD	0758F	20	\$9.00	\$180.00
1/23/2007	HPV	MSD	0962F	30	\$96.00	\$2,880.00
3/21/2007	HEP AB18	SKB	AHABB080AA	40	\$38.57	\$1,542.80
6/14/2007	PNU 7	WYETH	B58845C	200	\$62.14	\$12,428.00
10/25/2007	PNU 7	WYETH	B54013H	10	\$62.14	\$621.40
10/25/2007	FLU	SANOFI P	U2508AA	580	\$10.15	\$5,888.74
10/25/2007	DTAPHBIP	GLAXOSMI	AC21B128AB	30	\$47.25	\$1,417.50
10/16/2007	FLU-PF	SANOFI P	UT2456EA	20	\$12.77	\$255.40
10/16/2007	FLU	SANOFI P	U2502AA	150	\$10.15	\$1,522.95
9/11/2007	FLU	SANOFI P	U2435AA	120	\$10.15	\$1,218.36
8/29/2007	MCV4	AVENTIS	U2375BA	50	\$73.09	\$3,654.50
8/29/2007	HPV	MERCK	0927U	50	\$96.75	\$4,837.50
6/25/2007	HIB	MSD	0254U	200	\$10.83	\$2,166.00
6/25/2007	HIB	AVENTIS	UF119AA	200	\$8.28	\$1,656.00
3/23/2007	VAR	MSD	0114U	20	\$56.90	\$1,138.00
6/14/2007	VAR	MSD	0727U	200	\$59.15	\$11,830.00
11/26/2007	HPV	MERCK	0928U	30	\$96.75	\$2,902.50

Report of Non-Cash Federal Assistance Received between January 1, 2007 and December 31, 2007

Ship Date	Vaccine	Mfr/Brand	Lot Number	Doses Shipped	Cost/Dose	Total Value
6/14/2007	HIB	AVENTIS	UF112AA	195	\$7.92	\$1,544.40
6/14/2007	HEP B-PF	MSD	0608F	200	\$9.00	\$1,800.00
6/14/2007	HEP A	SKB	AHAVB149AA	300	\$12.25	\$3,675.00
6/14/2007	EIPV	AVENTIS	Z0872-2	50	\$11.06	\$553.00
6/14/2007	DTAPHBIP	SKB	AC21B114BB	300	\$47.25	\$14,175.00
6/14/2007	DTAP	AVENTIS	U2059AA	300	\$12.25	\$3,675.00
6/8/2007	TDAP	AVENTIS	C2730AA	800	\$31.75	\$25,400.00
5/30/2007	VAR	MSD	0644U	40	\$59.15	\$2,366.00
5/30/2007	VAR	MSD	0605U	40	\$59.15	\$2,366.00
5/30/2007	PNU 7	WYETH	B58845C	20	\$62.14	\$1,242.80
5/30/2007	MMR	MERCK	1216F	20	\$17.60	\$352.00
6/25/2007	EIPV	AVENTIS	Z05482	150	\$11.06	\$1,659.00

Total Value of Non-Cash Federal Assistance Received: \$129,085.45

The source of funding for the vaccines and materials provided through the Nevada Immunization Program during calendar year 2008 is supported by a federal grant (CFDA Number 93.268, Grant Number H23IP922549-06) from the Centers for Disease Control and Prevention (CDC) and administered by the Nevada State Health Division (NSHD).

If your practice/facility is a government agency or non-profit organization, and your practice/facility annually expends \$500,000 or more in federal funds (cash and non-cash assistance from any and all sources), it is a federal requirement as specified in the Office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003] that you have an annual audit prepared by an independent auditor. A copy of this audit must be presented to the NSHD within nine (9) months of the end of your audit period.

Attachment C
STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director



RICHARD WHITLEY, MS
Administrator

State Health Officer

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

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

March 10, 2008

Nevada Immunization Provider (PIN#)
(address)
(city, state, zip)

Dear (provider);

An audit of the Immunization Program's operations, policies, and procedures was recently performed. As a result of this audit, the Immunization Program is collecting data in order to ensure that it will be able to assist you with maintaining your compliance with the audit requirements of Office of Management and Budget (OMB) Circular A-133.

The source of funding for the vaccines and materials provided through the Nevada Immunization Program during calendar year 2007 a federal grant (CFDA Number 93.268, Grant Number H23/CCH9922549) from the Centers for Disease Control and Prevention (CDC) and administered by the Nevada State Health Division (NSHD).

If your practice/facility is a government agency or non-profit organization, and your practice/facility annually expends \$500,000 or more in federal funds (cash and non-cash assistance from any and all sources), it is a federal requirement as specified in OMB Circular A-133 [Revised June 27th, 2003] that you have an annual audit prepared by an independent auditor. A copy of this audit must be presented to the NSHD within nine (9) months of the end of your audit period.

"Medicare payments to a non-Federal entity for providing patient care services to Medicare eligible individuals are not considered Federal awards expended..."ⁱ

"Medicaid payments to subrecipients for providing patient care services to Medicaid eligible individuals are not considered Federal awards expended ... unless a State requires the funds to be treated as Federal awards expended because reimbursement is on a cost-reimbursement basis."ⁱⁱ

The value of the vaccines provided to you during the period beginning January 1, 2007 and ending December 31, 2007 was \$_____, which constitutes non-cash assistance.

Please answer the following questions in order to determine whether or not you are required under OMB Circular A-133 to have an annual audit prepared, and fax your response to Eric Pennington @ (775) 684-8338.

- 1) Our practice/facility is a government or non-profit agency.
Yes _____ (answer question 2 & 3) No _____ (stop here and fax response)
- 2) Our practice/facility expends total federal cash and/or non-cash assistance, from any and all sources, in excess of \$500,000 annually. Yes _____ No _____
- 3) Our practice/facility runs on a fiscal year beginning on _____ and ending on _____.

Please contact your accountant if you have any questions or concerns regarding the audit requirements of OMB Circular A-133.

Sincerely,

Doug Banghart, RN, MSPH
Immunization Program Manager

ⁱ OMB Circular A-133, Subpart B – Audits, ____ .205 Basis for determining Federal awards expended, (h) Medicare
ⁱⁱ OMB Circular A-133, Subpart B – Audits, ____ .205 Basis for determining Federal awards expended, (i) Medicaid

Section II: 2008 Nevada State Immunization Program Enrollment Agreement
--

The purpose of this agreement is to authorize _____
 (Name of practice/agency)
 to receive vaccines from the Nevada State Immunization Program.

I agree to the following conditions, on behalf of myself and all practitioners, nurses and other staff associated with this medical office, group practice, healthcare maintenance organization, community/migrant/rural clinic, public health office or other entity of which I am the physician in chief:

1. I will screen patients at all immunization encounters for VFC eligibility and administer all state-supplied vaccines to children who are 18 years of age or younger who meet one or more of the following VFC eligibility categories:
 - (1) Are an American Indian or Native Alaskan
 - (2) Are enrolled in Medicaid
 - (3) Have no health insurance
 - (4) Are underinsured: Children who have commercial (private) health insurance but the coverage does not include vaccines, children whose insurance covers only selected vaccines (VFC-eligible for non-covered vaccines only), or children whose insurance caps vaccine coverage at a certain amount (once that coverage amount is reached, these children are categorized as underinsured).
 - a) Underinsured children are eligible to receive the following VFC vaccines only through a Federally Qualified Health Center (FQHC), Rural Health Clinic (RHC), or deputized agency/facility.
 - i. DTaPHBIP (Pediarix)
 - ii. MCV4 (Menactra)
 - iii. PCV7 (Prevnar)
 - iv. Rotavirus (RotaTeq)
 - v. Hepatitis A (Havrix or Vaqta)
 - vi. HPV (Gardasil)
 - b) Underinsured children are eligible to receive the following vaccines in their medical home*:
 - i. DTaP (Tripedia, Daptacel, Infanrix)
 - ii. EIPV (IPOL)
 - iii. HIB (PedVaxHIB, ActHIB)
 - iv. Hepatitis B (Engerix B, Recombivax HB)
 - v. MMR (MMRII)
 - vi. TdaP (Boostrix, Adacel)
 - vii. Varicella (Varivax)

*Note: The vaccines, listed in Sections 1.4.a and 1.4.b, are subject to change. Consult the current Nevada State Immunization Program Vaccine Use Parameters to determine which vaccines are being offered universally to underinsured children.

2. I will screen and administer state-supplied vaccines per the Nevada State Immunization Program Vaccine Use Parameters.
 - (1) I may administer state-supplied vaccine, as designated in the Nevada State Immunization Program Vaccine Use Parameters, to children enrolled in Nevada Check Up.

- (2) I may administer state-supplied vaccine, as designated in the Nevada State Immunization Program Vaccine Use Parameters, to non-VFC eligible and non-Nevada Check Up children.
 - (3) I may administer state-supplied vaccine, as designated in the Nevada State Immunization Program Vaccine Use Parameters, to individuals 19 years of age or older.
3. I will comply with immunization schedules, dosages, and contraindications that are established by the Advisory Committee on Immunization Practices (ACIP) and included in the VFC program unless:
 - a) In the providers medical judgment, and in accordance with accepted medical practice, the provider deems such compliance to be medically inappropriate;
 - b) The particular requirement contradicts the law in Nevada pertaining to religious and medical exemptions (NRS 432A, 392, 394)
4. I will maintain all records related to the Nevada State Immunization Program for a minimum of six (6) years and make these records available to public health officials, including the state or Department of Health and Human Services, (DHHS) upon request.
5. I will immunize eligible children with state-supplied vaccine (per the Nevada State Immunization Program Vaccine Use Parameters) at no charge to the patient for the vaccine.
6. I will not charge a vaccine administration fee to the non-Medicaid VFC-eligible children that exceeds the administration fee cap of \$16.13 per vaccine dose. For Medicaid VFC-eligible children, I will accept the reimbursement for immunization administration set by the state Medicaid agency or the contracted Medicaid health plans.
7. I will not deny administration of a federally purchased vaccine to an established patient because the child's parent/guardian/individual of record is unable to pay the administration fee.
8. I will distribute the most current Vaccine Information Statements (VIS) each time a vaccine is administered and maintain records in accordance with the National Childhood Vaccine Injury Compensation Act (NCVICA), which includes reporting clinically significant adverse events to the Vaccine Adverse Event Reporting System (VAERS).
9. I will comply with the requirements for ordering, vaccine accountability, and vaccine management, per the Nevada State Immunization Program Vaccine Management Policies and Procedures.
10. I will operate within the Nevada State Immunization Program in a manner intended to avoid fraud and abuse.
11. I will be financially responsible for the replacement cost of any state-supplied vaccines that are wasted through my failure or the failure of my staff to properly store, handle, or rotate the vaccine. I understand that the Nevada State Immunization Program may terminate this agreement if it determines that the cost of unused vaccines due to waste or expiration is in excess of 5% of the total price of vaccines received in the past year.
12. I understand that I or the Nevada State Immunization Program may terminate this agreement at any time for personal reasons, failure to comply with these requirements, or without cause. I agree to properly return any unused state-supplied vaccine if I choose to terminate this agreement.

Immunization and Vaccines for Children Grants funding disclosure and audit requirements:

Non-profit and state and local governments:

- The source of funding for the vaccines and materials provided through this program is supported through the Nevada State Health Division through Catalog of Federal Domestic Assistance (CFDA) Number 93.268, through Immunization and Vaccines for Children Grant Number H23/CCH922549 from the Centers for Disease Control and Prevention.
- It is the policy of the Health Division (as well as a federal requirement as specified in the Office of Management and Budget (OMB) Circular A-133 [Revised June 27th, 2003]) that each grant sub-recipient* annually expending \$500,000 or more in federal funds have an annual audit prepared by an independent auditor in accordance with the terms and requirements of the appropriate circular.
- A copy of this audit must be presented to the Nevada Health Division within nine (9) months of the end of your audit period.

For-profit organizations (45 CFR 74.26):

- For-profit hospitals not covered by the audit provisions of revised OMB Circular A-133 shall be subject to the audit requirements of the Federal awarding agencies.
- Recipients and sub-recipients that are commercial organizations (including for-profit hospitals) have two options regarding audits:
 - (i) A financial related audit (as defined in the Government Auditing Standards, GPO Stock #020-000-00-265-4) of a particular award in accordance with Government Auditing Standards, in those cases where the recipient receives awards under only one HHS program; or, if awards are received under multiple HHS programs, a financial related audit of all HHS awards in accordance with Government Auditing Standards; or
 - (ii) An audit that meets the requirements contained in OMB Circular A-133.
- Commercial organizations that receive annual HHS awards totaling less than OMB Circular A-133's audit requirement threshold are exempt from requirements for a non-Federal audit for that year, but records must be available for review by appropriate officials of Federal agencies.

*Definition: As used in this agreement, "sub-recipient" means a public or nonpublic entity receiving federal funds and/or federally funded vaccines disbursed by the Nevada State Health Division.

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

**Physician's Signature
(DO NOT USE A STAMP)**

**Physician's Name
(PRINT or STAMP)**

Date

Federal Tax Identification

Medical License #

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 07-6:

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

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 93.658 and 93.659 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>Reports submitted to the Federal awarding agency should be supported by the underlying data records in the State's accounting system and should be fairly presented in accordance with program requirements.</p> <p>During testing of the ACF-IV-E-1 report we determined that formula errors and keying errors on the Cost Allocation Plan supporting worksheets resulted in incorrect calculations on the ACF-IV-E-1 report.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Inappropriate amounts may be charged to the grants.
<i>Cause:</i>	The Division of Child and Family Services did not have adequate procedures in place to review the Cost Allocation Plan calculations and ACF-IV-E-1 report prior to each quarter's filing.
<i>Recommendation:</i>	We recommend the Division of Child and Family Services perform a line-by-line review of each amount calculated on the Cost Allocation Plan and ACF-IV-E-1 report.
<i>Management's Response:</i>	See management's response on pages 131 and 132.



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

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

March 12, 2008

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

Dear Mr. Lonergan:

Kafoury, Armstrong and Company, Certified Public Accountants performed an annual Single Audit for the fiscal year ended June 30, 2007. The Single Audit was performed in relation to the Foster Care Program, Title IV-E, CFDA 93.658. The State of Nevada, Division of Child and Family Services (DCFS) administers this Federal Entitlement Program. In conclusion to the exit conference on March 3, 2008 the following finding was presented in relation to the Title IV-E Foster Care, CFDA 93.658 and Adoption Assistance, CFDA 93.659. This letter serves as our response to the finding and recommendation:

Finding 07-6: Reports submitted to the Federal awarding agency should be supported by the underlying data records in the State's accounting system and should be fairly presented in accordance with program requirements.

During testing of the ACF-IV-E-1 report, we determined that formula errors and keying errors on the Cost Allocation Plan supporting worksheets resulted in incorrect calculations on the ACF-IV-E-1 report.

Recommendation – "We recommend the Division of Child and Family Services perform a line-by-line review of each amount calculated on the Cost Allocation Plan and ACF-IV-E-1 report."

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

Corrective Action Plan:

DCFS has procedures to ensure that reports include both total amounts and Federal share amounts that reconcile to underlying accounting records. These procedures include performing a detailed supervisory review of the reports and the underlying supporting documentation prior to submission. DCFS has also added another position to

the fiscal unit whose responsibility will be to perform this review. Cross-training is being conducted and the Division will continue to enhance their review process to include a line-by-line review of each amount calculated on the Cost Allocation Plan and ACF-IV-E-1 report.

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

Sincerely,



Fernando Serrano,
Administrator
Division of Child and Family Services

FS/dmk

cc: Andrew K Clinger, Director, Department of Administration
Stephanie Day, Deputy Director, Department of Administration
Mike Willden, Director, Department of Human Resources
Michael Torvinen, Administrative Services Officer IV, Department of Human Resources
Paul Townsend, Legislative Auditor, Nevada Legislative Counsel Bureau
Dennis DeBacco, Deputy Administrator, Division of Child and Family Services
Tina Leahy, Administrative Services Officer IV, Division of Child and Family Services
Danette M. Kluever, Administrative Services Officer III, Division of Child and Family Services
Tammy Trio, Management Analyst IV, Division of Child and Family Services
David King, Auditor, Division of Child and Family Services
Debra Clark, CPA, Kafoury, Armstrong and Company

STATE OF NEVADA

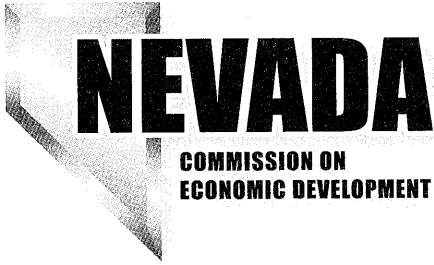
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

Finding 07-7:

Community Development Block Grants/State's Program, CFDA 14.228:

<i>Grant Award Number:</i>	Potentially affects both grant awards included under CFDA 14.228 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipients take timely and appropriate corrective action on all audit findings.</p> <p>The State's Community Development Block Grant (CDBG) Program management did not actively monitor its subrecipients' audit reports to ensure required audits were completed, and to ensure corrective actions were taken on audit findings. No documentation was available to verify that the most recent A-133 audit reports were reviewed for three of the five subrecipients tested.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Noncompliance at the subrecipient level may occur and not be detected by the State.
<i>Cause:</i>	The State's CDBG Program management did not have adequate procedures in place to ensure that the required subrecipient audits were completed and to review the audit reports for subrecipient findings.
<i>Recommendation:</i>	We recommend the State's CDBG Program management implement procedures to ensure required audits are completed timely, identify subrecipient noncompliance, and take appropriate action within the designated timeframe.
<i>Management's Response:</i>	See management's responses on page 134.



Jim Gibbons
Governor

Brian K. Krolicki
Lieutenant Governor
Chair

- Business Development
- Global Trade & Investment
- Office of Diplomatic Relations & Protocol
- Procurement Outreach
- Community Development Block Grants
- Nevada Film Office
- Made in Nevada
- Rural Economic Development

108 East Proctor Street
Carson City, Nevada
89701-4240
775.687.4325
775.687.4450 (Fax)

555 East Washington Avenue
Suite 5400
Las Vegas, Nevada
89101-1083
702.486.2700
702.486.2701 (Fax)

expand2Nevada.com
800.336.1600



March 7, 2008

Mr. Winston Moy
Community Planning and Development Representative
U.S. Department of Housing and Urban Development
600 Harrison Street, 3rd Floor
San Francisco, CA 94107-1300

Dear Mr. Moy,

Kafoury, Armstrong & Co., CPAs, performed an annual Single Audit of the Federally-funded State and Small Cities Community Development Block Grant Program (CFDA 14.228), for the State fiscal year ended June 30, 2007. Their finding 07-7 concerns this Program and resulted in the following recommendation:

We recommend the State's CDBG Program management implement procedures to ensure required [sub-recipient] audits are completed timely, identify sub-recipient noncompliance, and take appropriate action within the designated timeframe.

Response: The Nevada Commission on Economic Development (NCED) acknowledges this finding and will take the steps outlined in the Corrective Action below to implement the recommendation.

Corrective Action: The Nevada Commission on Economic Development will:

- continue to stress to sub-recipients at annual grant administration workshops and at the Annual CDBG Forum the need to complete and submit their annual financial audits in a timely manner;
- establish a tracking system to record receipt of sub-recipient audits;
- send out reminders to sub-recipients to submit their audits as necessary;
- scrutinize the audits upon receipt for noncompliance;
- establish a system which records the date of scrutiny, any issues of noncompliance, the follow-up action taken, and response from sub-recipient.

If you have any questions on the above, please do not hesitate to contact us at 775-687-4325.

Sincerely,

A handwritten signature in black ink, appearing to read "Desmond Craig".

Desmond Craig, Director
Rural Community Development

Cc Jerry Sandstrom, Acting Executive Director, NCED
Margene Stenger, Manager, Business Office, NCED
Debra Clark, CPA, Kafoury Armstrong & Co.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

Finding 07-8:

Community Development Block Grants/State's Program, CFDA 14.228:

Grant Award Number: Potentially affects both grant awards included under CFDA 14.228 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: Reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by the underlying data records in the State's accounting system, and should be fairly presented in accordance with program requirements. Instructions for the Performance and Evaluation Report (PER) issued by the U. S. Department of Housing and Urban Development state that the "Amount Drawn Down" reported in the financial data section of the PER should include the cumulative amount of the annual grant that has been drawn down by the State as of June 30th of the current year. The grant amount drawn down is defined as an amount that has been drawn down from the State's line of credit for the award.

During testing of the financial data included in the PER, we determined that incorrect amounts were reported for Amount Drawn Down, and the total of the Amounts Drawn Down during fiscal year 2007 for all the annual awards could not be reconciled to the total Community Development Block Grants (CDBG) draws in the State's accounting system.

The State was reporting the amounts drawn by subrecipients for obligations corresponding to each annual award, rather than the amount that had been drawn down from the State's line of credit for the award. Additionally, the amounts reported did not consistently include the amounts drawn for the reimbursement of allowable administrative and program costs.

Questioned Costs: None.

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

Effect: The granting agency received inaccurate financial data on the PER, which could potentially affect the reconciliation of funds drawn and available for each annual award.

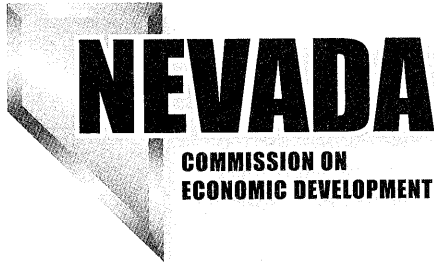
Cause: The State's CDBG Program management did not have adequate procedures in place to ensure the reports were prepared in accordance with the instructions issued by the granting agency.

Recommendation:

We recommend that the State's CDBG Program management enhance the report preparation procedure to ensure the reports are prepared as prescribed by the U. S. Department of Housing and Urban Development.

Management's Response:

See management's response on page 137.



Jim Gibbons
Governor

Brian K. Krolicki
Lieutenant Governor
Chair

- Business Development
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- Community Development Block Grants
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800.336.1600



March 7, 2008

Mr. Winston Moy
Community Planning and Development Representative
U.S. Department of Housing and Urban Development
600 Harrison Street, 3rd Floor
San Francisco, CA 94107-1300

Dear Mr. Moy,

Kafoury, Armstrong & Co., CPAs, performed an annual Single Audit of the Federally-funded State and Small Cities Community Development Block Grant Program (CFDA 14.228), for the State fiscal year ended June 30, 2007. Their finding 07-8 concerns this Program and resulted in the following recommendation:

We recommend that the State's CDBG Program management enhance the [Performance Evaluation] Report preparation procedure to ensure the reports are prepared as prescribed by the U.S. Department of Housing and Urban Development

Response: The Nevada Commission on Economic Development (NCED) acknowledges this finding and will take the steps outlined in the Corrective Action below to implement the recommendation.

Corrective Action: The Nevada Commission on Economic Development will:

- Seek guidance from the U.S. Department of Housing and Urban Development, the Council of State Community Development Agencies, and other State CDBG Programs on how to properly prepare the financial section of the annual PER;
- Correct the amounts drawn down for 2006 and 2007 in the next PER (due September 2008);
- Ensure the amounts drawn down include the amounts drawn for administration and other allowable program costs.

If you have any questions on the above, please do not hesitate to contact us at 775-687-4325.

Sincerely,

Desmond Craig, Director
Rural Community Development

Cc Jerry Sandstrom, Acting Executive Director, NCED
Margene Stenger, Manager, Business Office, NCED
Debra Clark, CPA, Kafoury Armstrong & Co.

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF HOMELAND SECURITY:

Finding 07-9:

Homeland Security Cluster, CFDA 97.004 and 97.067:

Grant Award Number: Potentially affects all grant awards included under CFDA 97.004 and 97.067 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

Of eight subrecipients tested, two had audit findings reported related to Homeland Security Cluster awards passed through from the State of Nevada in their June 30, 2006 audit reports. The Division of Emergency Management was unable to provide support that management decisions were issued for those findings or that the Division ensured that timely and appropriate corrective action was taken by the subrecipients.

Questioned Costs: None.

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

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

Cause: The Division of Emergency Management did not have adequate procedures in place to ensure the required subrecipient audit reports were reviewed for findings.

Recommendation: We recommend the Division of Emergency Management implement procedures to review the required audit reports, identify subrecipient noncompliance, and take appropriate action within the designated timeframe.

Management's Response: See management's response on page 139.

Jim Gibbons
Governor



Jearld Hafen
Director

Frank Siracusa
Chief

Division of Emergency Management

2478 Fairview Drive
Carson City, Nevada 89701

Telephone (775) 687-0300 • Fax (775) 687-0322 • <http://dem.state.nv.us/>

Corey Gruber
Acting Assistant Secretary
Office of Grants and Training
Department of Homeland Security Preparedness Directorate
Washington, DC 20472

Dear Mr. Gruber,

Kafoury, Armstrong & Co., CPAs, performed an annual Single Audit of two federal grant programs which are administered by the Nevada Department of Public Safety, Division of Emergency Management, for the state fiscal year ended June 30, 2007. Included in the audit were the Homeland Security Grant Program awards 2007-GE-T7-0010 (CFDA 97.067), and 2004-GE-T4-0052 (CFDA 97.004). Kafoury, Armstrong's Finding 07-9 concerns this program. Finding 07-9 resulted in the following recommendation:

"We recommend the Division of Emergency Management implement procedures to review the required audit reports, identify sub-recipient noncompliance, and take appropriate action within the designated timeframe."

Response: The Division of Emergency Management acknowledges this finding and will take the steps described in the Corrective Action Plan below to implement the recommendation.

Corrective Action: The Nevada Department of Public Safety, Division of Emergency Management will develop an audit tracking checklist to document when audits are due from recipient agencies. Agencies will be required to submit a copy of their annual audit when it has been completed. The Division's Administrative Services Officer will ensure that all audits are submitted and will follow up on corrective action plans when necessary, and within the prescribed timeframes.

If you have any questions, please do not hesitate to contact me at 775-687-0300.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank Siracusa".

Frank Siracusa, Chief

Cc: Jearld Hafen, Director, Department of Public Safety
Debra Clark, CPA, Kafoury, Armstrong & Co.
Jay Giovacchini, Internal Auditor, Department of Public Safety

STATE OF NEVADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

U.S. DEPARTMENT OF EDUCATION:

Finding 07- 10:

Improving Teacher Quality State Grants, CFDA 84.367:

<i>Grant Award Number:</i>	Potentially affects all grant awards included under CFDA 84.367 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>The OMB Circular A-133 Compliance Supplement prescribes an allocation formula for subgrants to Local Educational Agencies (LEAs) in any year in which the amount available to the State exceeds the sum of the “hold-harmless” amounts for LEAs. Of the excess funds, the State must distribute 20 percent to LEAs based on the relative population of children ages five through 17, and 80 percent to LEAs based on the relative numbers of children ages five through 17 from families with incomes below the poverty line.</p> <p>Errors were identified when testing the allocation of Federal year 2006 funds to the LEAs. The population numbers used to allocate the funds for relative population and the poverty population were not calculated using the most current enrollment and Census information, and included amounts for children younger than age five (Pre-K).</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	Awards to Local Educational Agencies were not calculated as prescribed, and although the total amount allocated was correct, the individual LEAs were not awarded the correct amounts.
<i>Cause:</i>	The Nevada Department of Education did not have adequate policies and procedures in place to ensure that LEA subgrant amounts were calculated as prescribed using the most recent enrollment and Census information available.
<i>Recommendation:</i>	We recommend the Nevada Department of Education implement policies and procedures to calculate the LEA subgrant awards using the most recent enrollment and Census information available.
<i>Management’s Response:</i>	See management’s response on pages 141 and 142 .

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

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

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



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

JAMES R. WELLS
Deputy Superintendent
Administrative and Fiscal Services

DEPARTMENT OF EDUCATION

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

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

March 11, 2008

Elizabeth A. Witt
Office of Elementary and Secondary Education
Academic Improvement and Teacher Quality Programs
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Ms. Witt:

Kafoury, Armstrong & Co., CPAs, performed a Single Audit of several Federal grant programs administered by the Nevada Department of Education (NDE) for the fiscal year ended June 30, 2007. Included in the audit was the **Improving Teacher Quality State Grants** (CFDA 84.367). Kafoury, Armstrong & Co.'s **Finding 07-10** relates to this programs.

Finding 07-10 resulted in the following recommendation:

We recommend the Nevada Department of Education implement policies and procedures to calculate the Local Education Agency (LEA) subgrant awards using the most recent enrollment and Census information available.

Response: The Nevada Department of Education acknowledges this finding and has taken the steps described in the **Corrective Action** below to implement the recommendation. The auditors noted that the distribution of funding to the LEAs prescribed by the OMB Circular A-133 Compliance Supplement, which is an allocation formula calculated annually by NDE's Office of Special Education, Elementary and Secondary Education and School Improvement, contained errors due to not updating the population, current enrollment and Census information. The result was that even though the total amount allocated was correct, the individual LEAs did not receive the correct amount for FY 2006 or FY 2007.

The Compliance Supplement prescribes an allocation formula to LEAs in any year in which the amount available to the State exceeds the sum of the "hold-harmless" amounts for the LEAs. The State must distribute 20 percent of the excess funds to LEAs based on the relative population of children ages five through 17, and the remaining 80 percent of the excess funds to LEAs based on the relative number of children ages five through 17 from families with incomes

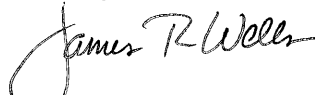
below the poverty line. The error in the allocation calculation this year resulted from final enrollment, population and Census figures not being updated from the previous year. The NDE strives to prepare and present errorless reports and accepts the recommendation to implement policies and procedures for this calculation.

Corrective Action: The NDE has created and implemented a procedure to ensure that Improving Teacher Quality State Grant LEA subgrant awards are calculated as prescribed using the most recent enrollment and Census information available when inputting the relative population and the poverty population data by accessing the current Census data at <http://www.census.gov/hhes/www/saipe/district.html> each year to update the allocation worksheet henceforth beginning with the Federal year 2008 funds.

Per discussions between you and Leslie James, NDE consultant for this grant, there will not be adjustments in LEA award amounts for FY 2006 or FY 2007. We will use the correct Census data from here on out but will not recalculate or reallocate funding to the individual LEAs for FY 2006 or FY 2007 since the allocated amounts were not substantially different than what they would have been had the correct Census data been used.

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

Sincerely,



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

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

STATE OF NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

U.S. DEPARTMENT OF EDUCATION:

Finding 07-11:

Vocational Education_Basic Grants to States, CFDA 84.048:

<i>Grant Award Number:</i>	Potentially affects both grant awards included under CFDA 84.048 on the Schedule of Expenditures of Federal Awards.
<i>Criteria and Condition:</i>	<p>Reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by the underlying data records in the State's accounting system, and should be fairly presented in accordance with program requirements.</p> <p>During testing of the final Financial Status Report (Form II) for the Consolidated Annual Performance, Accountability and Financial Status Report for grant award number V048A040028, we determined that amounts included in the report for "Other State Leadership" could not be reconciled to the accounting system. Additionally, although the total amount for "Other Expenditures" reconciled to the accounting system, the individual amounts within that category for "Secondary Eligible Recipients" and "Postsecondary Eligible Recipients" were not supported by the accounting system.</p>
<i>Questioned Costs:</i>	None.
<i>Context:</i>	The condition noted above appears to be a systemic problem.
<i>Effect:</i>	The granting agency may receive inaccurate information of actual program expenditures and participation.
<i>Cause:</i>	The Department of Education did not have adequate review procedures in place to ensure that only amounts supported by the underlying accounting records were included on the Financial Status Report (Form II) for the Consolidated Annual Performance, Accountability and Financial Status Report prior to submission.
<i>Recommendation:</i>	We recommend the Department of Education enhance the reporting review process to ensure all amounts required to be reported on the Financial Status Report (Form II) for the Consolidated Annual Performance, Accountability and Financial Status Report are supported by the underlying accounting records.
<i>Management's Response:</i>	See management's response on pages 144 and 145.

KEITH W. RHEAULT
Superintendent of Public Instruction

STATE OF NEVADA

SOUTHERN NEVADA OFFICE
1820 E. Sahara, Suite 205
Las Vegas, Nevada 89104-3746
(702) 486-6455
Fax: (702) 486-6450



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

JAMES R. WELLS
Deputy Superintendent
Administrative and Fiscal Services

DEPARTMENT OF EDUCATION

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

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

March 11, 2008

Sharon Lee Miller
US Department of Education
OVAE Division of High School, Postsecondary and
Career Education
400 Maryland Avenue, SW
Washington, DC 20202-7241

Dear Ms. Miller:

Kafoury, Armstrong & Co., CPAs, performed a Single Audit of several Federal grant programs administered by the Nevada Department of Education (NDE) for the fiscal year ended June 30, 2007. Included in the audit was the **Carl D. Perkins Career and Technical Education Basic Grants to States** (CFDA 84.048). Kafoury, Armstrong & Co.'s **Finding 07-11** relates to this programs.

Finding 07-11 resulted in the following recommendation:

We recommend the Nevada Department of Education enhance the reporting review process to ensure all amounts required to be reported on the Financial Status Report (Form II) for the Consolidated Annual Performance, Accountability and Financial Status Report are supported by the underlying accounting records.

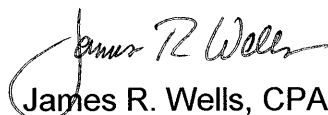
Response: The Nevada Department of Education acknowledges this finding and has taken the steps described in the **Corrective Action** below to implement the recommendation. The auditors noted that the amounts included in the "Other State Leadership" section of the final Financial Status Report (Form II) for the Consolidated Annual Performance, Accountability and Financial Status Report for grant award number V048A040028 could not be reconciled to the State's accounting system. Additionally, the "Secondary Eligible Recipients" and "Postsecondary Eligible Recipients" amounts in the "Other Expenditures" section of the report could not be reconciled to the State's accounting system even though the total for "Other Expenditures" did match the State's records. The final Financial Status Report (Form II) is prepared annually by NDE's Fiscal Services Office for the Federal grant closing in that year. The result was the US Department of Education may have received inaccurate actual expenditures and participation information for this grant.

The error in the report this year resulted from not keeping detailed notes on the composition of the reported amounts preventing distribution to the specific grant sources. These notes have been kept in the past and will be captured and documented in the future to provide sufficient documentation to reconcile the accounting system expenditures to the amounts in the Financial Status Report (Form II). The NDE strives to prepare and present errorless reports and accepts the recommendation to enhance the review process and ensure the amounts on the report are supported by the NDE accounting records.

Corrective Action: The NDE has added check figures and formulas to the underlying spreadsheets used to prepare the Financial Status Report (Form II) in order to ensure the accounting records support the amounts entered into the report and to verify the percentage allocation remains within the established guidelines. Additionally, notes will be added to the supporting documentation with sufficient detail to enable the reconciliation between the accounting system documentation and the report figures. Finally, the grants analyst in the Office of Career & Technical and Adult Education, who calculates the allocations and prepares the subgrant awards, will review the figures prior to them being entered into the Federal reporting system.

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

Sincerely,



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

CC: Tim Brown, Deputy Legislative Auditor
Debra Clark, CPA, Kafoury, Armstrong & Co.
Keith Rheault, Superintendent of Public Instruction
Gloria Dopf, Deputy Superintendent
Phyllis Dryden, Director, Office of Career, Technical and Adult Education
Mary Katherine Moen, Education Consultant, NDE

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

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



KAREN HOPPE
Acting Chief Deputy Controller

ALEX ECHO
Data Processing Manager

**OFFICE OF THE
STATE CONTROLLER**

March 13, 2008

Kafoury, Armstrong and Co.
Certified Public Accountants
6140 Plumas Street
Reno, NV 89509

Dear Sirs:

In accordance with paragraph 315(b) of the Office of Management and Budget (OMB) Circular A-133, please accept the following *Summary Schedule of Prior Audit Findings* for the year ended June 30, 2007.

Finding 05-2:

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

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

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

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

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

146
www.controller.nv.gov

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

responsible for the program. However, those requirements were not documented either in the State's accounting system or in the NDE's internal grant accounting system.

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

Finding Status: Fully implemented. We added the additional category starting in State Fiscal Year 2007 (ends June 30, 2007). Categories 64 (Technical Assistance), 65 (Admin) and 66 (Aid-to-Schools) apply to the 21st Century Learning Centers grant. We have also provided spreadsheets showing the allocation between administrative and state program activities by Federal grant year for State Fiscal Years 2006-2008. Starting in FY 2007, the allocation of transactions between administrative and state program activities is shown in the State's accounting system, however, due to the overlapping fiscal years, multiple grant years may be included in each State fiscal year. The assignment of transactions to the appropriate category based on the earmark provisions of the grant is the responsibility of the program staff who work with Fiscal Services to insure the expenses are charged to the correct category.

Finding 05-3:

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

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that the State may not reserve more than 20 percent of the Reading First State Grants funds for State level activities. The State may not spend more than 65 percent of the set-aside for Professional Development, 25 percent of the set-aside for Technical Assistance, and 10 percent of the set-aside for State Administration. The State must use any funds not reserved for these purposes for subgrants to Local Educational Agencies (LEAs). Our test work indicated that the Department of Education did not have sufficient internal controls in place to adequately identify and monitor these earmarked amounts.

State's Response: The Nevada Department of Education (NDE) acknowledges this finding and will take the steps described in the corrective action to implement the recommendation. The auditors noted that NDE did not have sufficient definition in its internal accounting system or in the State's accounting system to be able to demonstrate the earmarking of the 20% of the grant funding that is available for State use. NDE has accounted for the 80% of the funding that must be distributed to eligible agencies by using a separate category (Budget Account 2712, Category 24). The funding available to the State has been accounted for either in Category 01 – "Personnel

Services or in Category 23 – “Reading First State Grant – Admin & T/A.” The provisions that 10% of the 20% set aside (5% of the grant) may be used for technical assistance; and 65% of the 20% set aside (13% of the grant) may be used for professional development were not documented either in the State’s accounting system or in NDE’s internal grant accounting system. However, those requirements were known and observed by NDE’s staff responsible for the programmatic administration of the program.

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

Finding Status: Fully implemented. We added the additional categories starting in State Fiscal year 2007 (ends June 30, 2007). Categories 21 (Technical Assistance), 22 (Professional Development), 23 (Admin) and 24 (Aid-to-Schools) apply to the Reading First State grant. We have also provided spreadsheets showing the allocation between administrative and state program activities by Federal grant year for State Fiscal Years 2006-2008. Starting in FY 2007, the allocation of transactions between administrative and state program activities is shown in the State’s accounting system, however, due to the overlapping fiscal years, multiple grant years may be included in each State fiscal year. The assignment of transactions to the appropriate category based on the earmark provisions of the grant is the responsibility of the program staff who work with Fiscal Services to insure the expenses are charged to the correct category.

Finding 05-4:

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

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

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

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

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

Finding Status: Fully implemented. We added the additional category starting in State Fiscal Year 2007 (ends June 30, 2007). Categories 29 (State Programs), 31 (Admin) and 32 (Aid-to-Schools) apply to the English Language Acquisition grant. We have also provided spreadsheets showing the allocation between administrative and state program activities by Federal grant year for State Fiscal Years 2006-2008. Starting in FY 2007, the allocation of transactions between administrative and state program activities is shown in the State's accounting system, however, due to the overlapping fiscal years, multiple grant years may be included in each State fiscal year. The assignment of transactions to the appropriate category based on the earmark provisions of the grant is the responsibility of the program staff who work with Fiscal Services to insure the expenses are charged to the correct category.

Finding 05-9:

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

Finding Summary: The OMB Circular A-133 Compliance Supplement for the TANF program states that "If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must 1) deduct an amount equal to not less than 25 percent from the TANF assistance that would

otherwise be provided to the family of the individual, and 2) may deny the family any TANF assistance”.

We obtained a list of case files where the TANF recipient was identified by the State’s IV-D agency as being non-cooperative with a child support order through means of an alert entered into NOMADS during 2005. It is the State’s policy to terminate, rather than reduce, benefits in such cases. However, this policy was not uniformly adhered to.

State’s Response: The Division of Welfare and Supportive Services (DWSS) acknowledges this finding which is consistent with a Divisional diagnosed business concern found during annual office reviews.

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

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

Finding Status: The Division of Welfare and Supportive Services (DWSS) has openly discussed the importance of adherence to Eligibility and Payments Manual, Section 1635 “Non-Cooperation with Child Support enforcement Program (CSEP) Requirements” in numerous managers meetings and other divisional meetings. Leadership in DWSS offices throughout the state have conducted internal trainings with staff to advance their understanding of this important policy element as part of case reviews conducted by supervisors. DWSS continues to use Internal Quality Control reviews, Family Support Supervisors reviews, Quality Control reviews and Management Evaluation reviews as a means to validate timely compliance. Since our last report, the aforementioned reviews have not identified any non-compliance occurrences. DWSS will continue to closely monitor performance to ensure staff fully understand and comply with policy requiring termination of TANF benefits when there is reported non-compliance with the Child Support Enforcement Program.

Finding 06-1:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants and Children (WIC),
CFDA 10.557

Finding Summary: The OMB Circular-A-133 Compliance Supplement provides that a State agency operating a retail food delivery system must conduct compliance investigations, which consist of inventory audits and/or compliance buys, on a minimum of five percent of the vendors authorized as of October 1 of each year. A State agency must conduct compliance investigations on its high-risk vendors up to the five percent minimum.

The Health Division failed to meet the requirement to conduct the required compliance investigations of high-risk vendors.

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

- 1) In October, January, April and July of each federal fiscal year, data from the previous quarter will be analyzed to determine those vendors qualifying as high risk and compliance buy schedules will be developed to conduct compliance buys during the quarter. October’s analysis will be based upon July through September data, January’s analysis will be based upon October through December data, April’s analysis will be based upon January through March data and July’s analysis will be based upon April through June data. The criteria to be

evaluated to arrive at a high designation include: EBT anomalies; high average prices; deviations from peer group patterns; more than one complaint per month; a high number of rejected EBT transactions or check errors for paper transactions; an abnormal increase in sales by volume and/or dollar amount, and instances of low stock. Dialog with USDA/FNS will be ongoing to insure that criteria to be used are current and relevant.

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

Finding Status:

Technical assistance was requested and received from USDA to ensure that high risk vendor identification criteria originally approved in Nevada's federal fiscal year 2007 WIC State Plan was current. It was determined to be up-to-date and has subsequently been approved in WIC's federal fiscal year 2008 State Plan submission. To recap, high-risk vendor criteria include the following:

- Low Price variance on items available for purchase, indicating minimal inventory or low stock.
- High average prices/deviations from assigned peer group pricing patterns
- Vendor complaints
- High number of rejected transactions
- EBT anomalies

Using these high-risk criteria, compliance investigations/buys were conducted in May 2007 on 16 vendors who fit the high-risk vendor category. In accordance with governing federal directives, follow-up visits are required and are scheduled for September 2007. Upon completion of the second round of compliance buys, those vendors who had discrepancies noted in either visit will be notified and will receive training on those areas requiring corrective action to prevent recurrence. This training will also be delivered to vendors statewide. The 16 compliance investigations satisfies the federal requirement to conduct compliance buys on a minimum of 5% of the state's total number of vendors, in this case $274 \text{ vendors} \times 5\% = 14 \text{ vendor investigations}$.

With respect to vendor policies and procedures mentioned in WIC's original corrective action plan, the expectation is that upon the rehire of a vendor coordinator (the incumbent resigned in August of this year), coupled with an internal reorganization of WIC's functional structure, vendor policies and procedures will be finalized during federal fiscal year 2008.

In addition, with the assistance of the Office of Informatics and Technology, a comprehensive analysis of WIC's cost containment strategy is being conducted with initial findings indicating that the statistical criteria used to form the basis for the strategy requires modification to insure that the criteria is consistently applied in a

clear, concise and equitable fashion. As Nevada's cost containment strategy forms the foundation for the vendor peer group and pricing system, and therefore influences the criteria under which a vendor is determined to be high-risk, this modification is critical.

Finding 06-2:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants and Children (WIC),
CFDA 10.557

Finding Summary: The OMB Circular A-133 Compliance Supplement provides that a State agency operating a retail food delivery system must take actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor agreement. The State agency must follow up on food instruments containing errors within 120 days following detection.

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

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

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

Vendor billing is complete through March 2006.

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

Finding Status: Vendor billing is complete through March 2007, however, billing for April 2007 and beyond has been temporarily suspended pending modification of WIC's cost containment strategy and final approval by USDA.

As mentioned under the corrective action update for finding 06-01, the WIC program, with the assistance of the Office of Informatics and Technology, is conducting a comprehensive review of WIC's cost containment strategy for the purpose of determining the validity of the statistical criteria used to form the basis for the strategy. Initial indications reveal that the strategy requires modification to insure that it is consistently applied in a clear, concise and equitable fashion. As Nevada's cost containment strategy forms the foundation for the vendor peer group and pricing system, and therefore influences the methodology employed to identify erroneous or questionable food instruments, and to recover erroneous payments through vendor bill backs, this modification, much the same as high-risk vendor determinations, is critical.

Finding 06-3:

Program: Department of Health and Human Services, Health Division
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC),
CFDA 10.557

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The Health Division did not actively monitor its subrecipients' audit reports to ensure required audits are completed, and to ensure corrective actions are taken on audit findings.

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

Finding Status: Internal program policies and procedures were developed in March 2007 to ensure required audits are completed within nine months of the end of a subrecipient's audit period and to ensure that audit findings are communicated to appropriate personnel

for action. The Nevada WIC program's policies and procedures include the requirement to procure copies of audits as of the close of the most recent fiscal year for all WIC subrecipients. Audits will be reviewed for findings so that appropriate action may be taken. Federal fiscal year 2008 subgrant language has been modified to require subrecipients to provide copies of audits as of the close of their most recent fiscal year. Upon receipt, audits will be copied and sent to Administration.

Finding 06-4:

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

Finding Summary: Reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by underlying data records in the State's accounting system, and should be fairly presented in accordance with program requirements.

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

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

Finding Status: Internal program policies and procedures have added an additional level of review of federal reporting to ensure key line items are supported by data records in the state's accounting system.

Finding 06-5:

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

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

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

State's Response: The Nevada Department of Education acknowledges this finding and has taken the steps described in the Corrective Action to implement the recommendation. The auditors noted that in the "Maintenance of Effort Study-ESEA Programs," which is prepared annually by NDE's fiscal services office, the enrollments shown for FY2005 did not match the enrollments shown in the supporting documentation required to be used based on the internal instructions for preparing the Study. The result was that the individuals responsible for determining subrecipient grants were provided inaccurate information of the subrecipients' Maintenance of Effort. The maintenance of effort can be demonstrated by showing that the total state and local funding for the school district exceeds 90% of the prior year either 1) in total state and local funding; or 2) in per student state and local funding. The Study shows that the maintenance of effort was demonstrated by total state and local funding and the per student calculation was therefore not necessary. The error in the Maintenance of Effort Study this year resulted from final numbers not being updated from preliminary ones. However, NDE strives to prepare and present errorless reports and for that reason accepts the recommendation.

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

Finding 06-6:

Program: Immunization Grants, CFDA 93.268

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

During our review of the agreements with the providers who receive and dispense vaccines as part of the Immunization Grants program, it was noted that neither the CFDA number nor a reference to the audit requirements was included in the agreements.

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

“Funding disclosure and audit requirement for non-profit organizations

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

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

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

Finding Status:

The Immunization Program has submitted a revised Provider enrollment Agreement that includes the language, indicated in the action above. However, the Immunization Program was informed by the CDC that there was a change in Project Officer therefore would be delayed in response back to the program. The Immunization Program has taken this opportunity to review and suggest additional changes to the Agreement and will now submit additional requests for modification to the CDC based on their revised timeline.

The revised agreement will be submitted for CDC approval by October 1, 2007 for the 2008 enrollment period (January 1 thru December 31). Once approved by CDC, enrolled providers will be issued the amended Agreement for signature.

The Immunization Program has received notification of independent audits being performed for the following sub grantees that receive and expend federal funds in excess of \$500,000:

- Southern Nevada Health District, Fiscal Year 2007 ended June 30, 2007
- Washoe County District Health Department, Fiscal Year 2007 ended June 30, 2007

Finding 06-7:

Program: Temporary Assistance For Needy Families (TANF), CFDA 93.558

Finding Summary: The OMB Circular A-133 Compliance Supplement for the TANF program states that “An individual convicted under Federal or State law of any offense which is classified as a felony and which involves the possession, use, or distribution of a controlled substance (as defined the Controlled Substances Act (21 USC 802(6) is ineligible for assistance if the conviction was based on conduct occurring after August 22, 1996. A State shall require each individual applying for assistance under TANF to state in writing whether the individual or any member of their household has been convicted of such a felony involving a controlled substance”.

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

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

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

Finding Status: This was brought to the attention of the Employment Development Manager. Her staff is now reinforcing the importance of answering the Felony Drug Conviction question as well as all other questions on the application. Staff has been monitoring adherence to policy through Internal Quality Control, Supervisory and Management Evaluation reviews to ensure no further incidences have occurred. To date, no further occurrences of this type have been noted. As needed, Program Staff will provide periodic training to staff on application review.

Finding 06-8:

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

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

This had been a finding in the past and appeared to have been corrected Staff will continue to monitor this adherence to policy through Internal Quality Control and Supervisory and Management Evaluation reviews. Any instance of non-compliance identified will be quickly corrected. In addition, two full-time policy staff are not stationed in the Southern Professional Development Center and available to provide training, if needed.

Finding Status: This finding appears to have been corrected. Staff have been monitoring adherence to policy through Internal Quality Control, Supervisory and Management Evaluation reviews. To date, no further instances of this type have been identified. If any further instances of noncompliance are identified they will be quickly corrected. Program policy staff in the south has found no necessity for further training. However, this will continue to be monitored and additional training provided if needed.

Finding 06-9:

Program: Low-Income Home Energy Assistance, CFDA 93.568

Finding Summary: The OMB Circular A-133 Compliance Supplement includes a Period of Availability requirement that at least 90 percent of the LIHEA block grant funds must be

obligated in the fiscal year in which they are appropriated. There are no limits on the time period for expenditure of funds.

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

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

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

Finding Status: Accounting staff continue to work closely with program staff to transition LIHEA grant reporting and monitoring functions from program to fiscal staff. It is estimated the transition will be complete and procedures fully documented by December 2007 when the annual LIHEA federal grant report must be submitted.

Finding 06-10:

Program: Low-Income Home Energy Assistance, CFDA 93.568

Finding Summary: The OMB Circular A-133 Compliance Supplement includes the provision that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

During fiscal year 2006, the Division of Welfare and Supportive Services received cash draws of \$991,900 for the grant listed above, although cumulative grant expenditures at June 30, 2006 were only \$215,128.

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

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

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

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

Finding Status: This recommendation is fully implemented. The Division has successfully developed, implemented and documented a cash management system that facilitates matching expenditures with appropriate funding sources, analyzing cash balances before submission of federal draw request and maximizing usage of both state and federal funds. Timing delays between the transfer of federal funds to the state and disbursement of these funds for program expenditures has been minimized.

Finding 06-11:

Program: Community Services Block Grant, CFDA 93.569

Finding Summary: As noted in OMB Circular A-133, a pass-through entity is responsible for ensuring an audit is completed within nine months of the end of a subrecipient's audit period, when required; issuing a management decision on audit findings within six months after receipt of a subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

There was no documentation available to confirm that the most recent audit report was received and reviewed for one of the five subrecipients tested, and the audit report could not be located in the office.

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

Finding Status: Our Grants Manager maintains a file of all required audit reports from each of the grantees receiving funding. He ensures each grantee has submitted current copies of all audit reports and inspects the file periodically to determine if any grantee has not submitted the required reports. He is currently following up on 3 grantees that have not yet submitted the current year reports and will continue to follow-up until all grantees are fully compliant.

We believe that this recommendation has been fully implemented.

Finding 06-12:

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

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

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

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

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

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

- 1) *Reporting* – Reviewing financial and performance reports submitted by the subrecipients.
- 2) *Site Visits* – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

- 3) *Regular Contact* – Regular contacts with subrecipients and appropriate inquiries concerning program activities.
- 4) *Review Process* – Review of the subrecipient’s policies and procedures and discussion with County staff to provide reasonable assurance that subrecipients used Federal pass-through for authorized purposes, complied with laws, regulations and the provisions of contract agreements and achieved performance goals.

Finding Status: The Division of Child and Family Services (DCFS) has implemented Policy (01-07), available upon request, that addresses the requirement of conducting full onsite reviews once every three years of sub-recipients expending \$500,000 or more in federal awards. Compliance review procedures have been written to include the review process of the sub-recipient. The Division has recently conducted the first on-site review and is currently preparing its findings report which will be distributed accordingly.

Finding 06-13:

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

Finding Summary: Reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by the underlying data records in the State’s accounting system, and should be fairly presented in accordance with program requirements.

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

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

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

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

DCFS has also updated the supporting worksheets to allow for a single point of entry for percentage calculations which are linked to other tabs within the worksheet. The

keyed percentages are also visible on the summary page which allows for supervisory review.

Finding Status: The Division of Child and Family Services (DCFS) has implemented within the cost allocation method additional calculations to reconcile back to the underlying accounting records. Written procedures for preparing this function are partially completed and will include a step that requires supervisory review.

Finding 06-14:

Programs: 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

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

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

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

Finding Status: Division IT Information Security Officer developed a risk analyses process modeled after NIST Special Publication 800-26: Security Self-Assessment Guide for Information Technology Systems. The process was developed and a document

produced on October 16, 2006, reviewed and revised on March 30, 2007, and again on July 10, 2007.

The Information Security Self-Assessment document was provided to Daniel Rushin, CPA of Kafoury, Armstrong & Co., for review on July 10, 2007. Back up documentation was provided shortly thereafter.

The Division of Health Care Financing and Policy IT has, and is in process of implementing security systems that continually assess the security posture of the information technology infrastructure. The formal documentation will be updated on an annual basis for the purpose of audit and review.

Based on the *Summary Schedule of Prior Audit Findings*, the status of the findings at June 30, 2007 is as follows:

Finding Number

05-02 – Corrected
05-03 – Corrected
05-04 – Corrected
05-09 – Corrected
06-01 – Corrected
06-02 – Partially Corrected
06-03 – Corrected
06-04 – Corrected
06-05 – Corrected
06-06 – Not Corrected
06-07 – Corrected
06-08 – Corrected
06-09 – Corrected
06-10 – Corrected
06-11 – Corrected
06-12 – Corrected
06-13 – Not Corrected
06-14 – Corrected

Sincerely,



Kim R. Wallin
Nevada State Controller